Innovative Approaches To Agribusiness Development in Sub-Saharan Africa

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FOREWORD

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Dr. Charles Whyte of AFR/SD/PSGE is the Innovative Approaches activity manager and a substantial and ongoing contributor to all phases and aspects of the activity, especially fieldwork, analysis, and draft enhancement.

John Holtzman of Abt Associates consolidated the many parts of activity output into a unified document. The overall Innovative Approaches activity is managed by Jim Maxwell of AMIS II/Cargill Technical Services. Jim directed the field study and enhanced the report with his numerous technical reviews. Jack Hopper did the final edit. Otilia Santos of Abt Associates spent many long hours formatting and finalizing the final report.

EXECUTIVE SUMMARY

The purpose of this activity was to assess donor agencies= innovative agribusiness projects in a number of Sub-Saharan Africa (SSA) countries and to develop case studies of agribusiness firms targeted by or benefiting from these projects. The objective is to provide the Africa Bureau and Field Missions with an understanding of the role and significance of new, innovative agricultural marketing and agribusiness programs being implemented, and to synthesize a cogent set of lessons learned and their implications for USAID agribusiness project design and implementation.

The methodology used for this activity consisted of the following four basic steps: (Step 1) identify and select Key Focus (apparent high-opportunity) Areas for research based on current USAID interests and the anticipated potential to have a positive affect on agribusiness development. The four Key Focus Areas chosen**C**based on a literature review, interviews in Washington, and a field survey**C**were **non-traditional agricultural exports (NTAE) development, association development, small and medium enterprise (SME) development**, and **financial services to agribusiness**; (Step 2) select West African countries where there are projects, associations, and financial institutions that are relevant to activity objectives and the Key Focus Areas and that are sufficiently developed to yield lessons learned, and make a preliminary visit to two of these three countries; (Step 3) complete a second field trip to collect detailed information on the selected projects and do case studies on target beneficiaries, primarily via in-depth interviews with project, association, and financial intermediary managers, donor management, and selected beneficiaries; and (Step 4) analyze the information collected, extract lessons learned, and suggest the implications for enhancing the design, implementation, and monitoring and evaluation of USAID agribusiness projects.

The entire *Innovative Approaches* activity has five components and research findings are reported in separate volumes for East Africa (Kenya and Uganda), Southern Africa (Zimbabwe, Mozambique, and Tanzania), and this volume**C**West Africa (Ghana, Mali, and Senegal). There are also separate volumes reporting on the Secondary Research Findings and Overall Project Summary and Conclusions.

While the West Africa research addressed all of the key focus areas of the *Innovative Approaches* activity, it placed special emphasis on Association Development and Financial Services. Therefore, these topics are covered in more detail in this report than NTAE and SME development.

WEST AFRICA FINDINGS SUMMARYB by Key Focus Area

Non-Traditional Agricultural Exports Development

If the promotion of non-traditional agricultural exports (NTAEs) is going to lead to expanded exports, promotion efforts and technical assistance for upgrading production and export-marketing management will not suffice. The Trade and Investment Project (TIP) in Ghana illustrates this point. Hard work by the project staff (of AMEX) has yielded only modest results to date, mainly because there are no effective export financing facilities to accompany and support efforts in identifying new markets, improving product quality, resolving complex issues such as transportation, export incentives and/or disincentives, and working closely with professional associations and local governments.

Similarly, the progress of the Animal Productivity and Export Project (APEX) in Mali is hampered by the lack of resources to bring about a shift from promotion of traditional exports, particularly live animals and unprocessed hides and skins, to stimulating NTAE. This proposed shift will require not only technical assistance, but also a complete modernization of the sector and the restructuring of export channels and methods of transportation to neighboring countries. Without long-term finance and export financing, current efforts to shift from risky, informal ad hoc export shipments through overseas commission brokers to a formal and well- structured export marketing system are not likely to yield significant results.

In West Africa, export financing systems for NTAE are not well developed and/or are not managed efficiently. NTAE promotion projects should include a modest loan fund for export credit. This fund would enhance the effectiveness of most NTAE projects, which provide an otherwise integrated package of technical and export marketing assistance. If managed in a business-like manner, export credit can be sustainable. The growth of these exports will be slow and costly without an export financing component.

Association Development

Association development is an important feature of civil society. As a form of special interest group, associations can lobby government for policy and regulatory reform, infrastructure investment and favorable tax and legal treatment, and serve as an industry/business watchdog that monitors the implementation of government policies and regulations.

Few examples of donor assistance to business or trade associations, particularly those in the agribusiness sector, were found. A variety of associations were visited and profiled in an attempt to understand the existing climate in each country and to extract lessons and implications for future association development project activities. Of the three countries studied, Ghana had the most developed trade associations, although they are weak, and in an immature stage of development. Associations in Senegal are less developed than those in Ghana, and in Mali they are still in the conception stage.

Associations in Ghana are numerous and active, but lack professional management, strong representation of their memberships, and effective lobbying and information dissemination. They are aware of their problems and shortcomings, and are working to strengthen themselves. Associations in Senegal for the most part view themselves as lobbying bodies to advise the government on appropriate steps to take to strengthen the private sector at large. There are no effective agribusiness-only associations, and existing associations are dominated by larger commercial and foreign enterprises. Only since 1991 have Malian associations had the right to form; they are now attempting to define their missions more precisely.

Planners of business association development activities must determine if the conditions exist for association success and what type of programs are needed to stimulate that success. Association success criteria are: (1) strong leadership with a long-term commitment, (2) leadership that is trusted by members, donors, and government, (3) minimal government influence, and (4) a clear and relatively narrow focus. Individual associations will only become self-sustaining if they are effectively and efficiently serving their members' priority needs. A minimum score on an annual membership satisfaction survey, conducted by a third party, should be a condition for continued donor support of an association. Guidelines need to be developed to assess an association's potential for success and to monitor how effectively an association is serving its members' priority needs.

Association development is an important contributor to agribusiness development, but strengthening West African business and trade associations will be a long-term process. Donors, governments, and private sector operators should not hold too high expectations of what associations can and will be able to do to assist agribusiness development in the medium term. Expectations regarding what business and trade associations can do need to be tempered by budgetary realities and the typical phenomenon of limited association memberships, where small firms are only able to pay modest dues.

Most current general business associations are not focused on agribusiness and in fact under-represent agricultural and agribusiness firms. They can lobby government for policy and regulatory reform, work with government to create a positive enabling environment and investment/business climate, and encourage government to invest in necessary general infrastructure (roads, ports, telecommunications) and perhaps industry- or subsector-specific infrastructure (cold storage at airports and ports; refrigerated railcars where government owns the railway; etc.). Industry- and subsector-specific associations are typically weak and unable to raise the funds to mount a very active program. Hence, AMIS II recommends that donors strengthen umbrella organizations, which would enable member associations with limited clout and budgets to achieve some lobbying power and voice.

Small and Medium Enterprise Development

Small and medium enterprises (SMEs) typically lack the necessary capital or financing to expand and/or diversify. Commercial banks, agricultural development banks, and NGO/PVO credit projects do not target agribusiness SMEs. The African Project Development Facility (APDF) assists SMEs in Ghana to formulate bankable business plans but does not provide the finance. Given its affiliation with IFC, APDF can assist SMEs to gain an audience with IFC=s AEF (African Enterprise Fund). Commercial sources of equity and debt financing, such as CDC (the Commonwealth Development Corporation) and the French PROPARCO (SociJtJ de Promotion et de Participation pour la CoopJration Economique), are typically available to only the largest, best managed, and most well-established firms in West Africa. In addition to providing some financial support to APDF, USAID could most effectively assist SMEs through an Agribusiness Service Center (ASC), which would provide an integrated package of services and access to outside service providers.

Financial Services to Agribusiness

Field research focused on the review and assessment of agribusiness financing facilities supported by local financial institutions and donor-sponsored credit projects in Ghana, Mali and Senegal. Credit facilities covered agricultural inputs, postharvest activities, export financing, and medium- and long-term financial instruments. The researchers also considered equity funding sources.

Mission interest in financial services varied widely in each country. In Ghana, the mission focused on the Trade and Investment Project (TIP), emphasizing the promotion of non-traditional exports (including NTAEs). In Mali, the mission staff has prepared a strategic plan that will include inter alia the objective of increasing value-added in the cereal and livestock sectors and improving financial services. In Senegal, the objective of increasing crop productivity through natural resources, water, and rural credit development ranks on the same level as other objectives such as decreased family size, increased value of tree production, and increased liberalization of the market. The availability of financing services to agribusiness entities varies widely from country to country.

Although the three countries covered in this report offer varying degrees of agribusiness development and credit facilities, they share one common feature: the omission of certain types of credit such as export financing and/or weak credit systems. This situation results from the conservative approach to credit by local financial institutions and their perception of agricultural credit risk. This perception reflects the possibility of disease, drought, and other untoward natural events as well as the lack of structured production, processing, and marketing systems on the part of borrowers. The informal management style and systems that characterize most agribusiness firms do not inspire confidence in bankers, and unless entrepreneurs are willing to undertake changes, credit will not be made available. Even if such changes occur, access to credit is not guaranteed.

Under such conditions, a well-targeted, donor-supported model or prototype project that combines management, technical assistance and training, and dedicated credit facilities is likely to achieve a demonstration effect by generating credible results. The fundamental objective of such a program would be to stimulate the profitability and sustainability of carefully selected entrepreneurs who could therefore become eligible for bank credit before the termination of the pilot program.

The addition of a small credit fund to TIP components implemented by TechnoServe and AMEX in Ghana would supplement their efforts to promote NTAEs and significantly encourage such exports. The same basic model could be transferred to the APEX project in Mali. In this case, export credit facilities could be supplemented with a grant to private operators to cover part of the costs associated with the purchase of meat processing and transportation equipment of U.S. origin. The addition of a credit fund to these existing projects would enhance their effectiveness and complement USAID's efforts to promote NTAEs or increase the value-added of specific economic subsectors.

The basis for successful credit projects sponsored by USAID and other donors, such as CDC in West Africa, has been a business-like orientation the emphasizes a strict management of the credit function and the responsibility of private borrowers for the re-payment of their loans. Although APDF only brokers loans and equity investments, it submits its applicants to a rigorous screening before assisting a firm to develop a 'bankable' business plan and gain access to funding from local or multilateral financial institutions. CDC, also active in Ghana, applies the same scrutiny and discernment to its direct loan and equity funding decisions. It is operated much like a private financial institution that is required to meet stringent return on assets objectives. Consequently, loans sponsored by APDF and CDC are made to a small number of relatively large and well-established enterprises in fruit juice production, hotel operations, poultry breeding, pharmaceuticals, and wood processing. The average financing arranged by APDF amounts to $1.3 million per enterprise. CDC's average loans and investments of $4 million are even higher. To achieve measurable economic development progress, USAID and other donors should continue to sponsor finance programs targeted to accelerate the development of relatively large indigenous privately owned businesses and/or SMEs.

It is important to note that the ACEP project in Senegal, which was started by USAID has achieved operating self-sufficiency in extending short-term loans with a maturity of up to eight months to smaller private enterprises engaged in trade, services, agriculture, and other activities. Agriculture accounts for 15 percent of ACEP's loans, which provide a vital link between rural producers and small processors of agricultural products on the one hand, and marketing intermediaries in urban centers on the other. ACEP's results were made possible by radical changes in credit policy and operating procedures starting in 1989. These changes included taking a business-like and selective approach to loan applicants deemed acceptable credit risks, extending larger loans, establishing fourteen branches with a minimum staff and a head office in Dakar, careful monitoring of outstanding loans, an aggressive loan recovery policy, and setting interest rate levels (31 percent effective rate in 1991) sufficient to cover operating expenses, including bad loan reserves but excluding the cost of capital.

After USAID terminated its involvement in ACEP at the end of the project in 1993, the project was taken over by Caisses Populaires Desjardins, a leading loan and savings cooperative organization headquartered in Montreal, Canada. Desjardins pursued the same credit management policy and added a savings component to its operations. ACEP is now well on its way to becoming fully sustainable to the extent that donor subsidies will not be needed within two years. The average loan size was $2,900 in 1991 with a maximum of $13,500. The needs of some 3,000 small business enterprises in Senegal were being met by ACEP before USAID terminated the project; in 1995, ACEP served 7,000 borrowers and savers. The same model of a selective approach to small enterprise credit, coupled with strict loan monitoring and recovery procedures and non-subsidized interest rates, could be expanded and/or replicated by USAID and other donors in other West African countries. Ghana, where small enterprise credit delivery systems are virtually nonexistent, would benefit from this type of donor-sponsored small enterprise credit project.

USAID was a catalyst in the creation of the first venture capital fund in Ghana and West Africa outside of Nigeria. USAID provided technical assistance and the funds necessary for the first eighteen months of operations of the Ghana Venture Capital Fund (GVCF). GVCF is now on its way to operating self-sufficiency, diversifying its portfolio and mobilizing local sources of equity funding. The same approach could be used to fund a regional West African Venture capital organization to be headquartered in Accra. If USAID decided to provide funding for such a venture, it should insist on a significant upfront investment of at least 50 percent of total project costs by private West African investors and banks. The experience of SEINVEST in Senegal proves that local investors and banks are willing to invest in a venture capital firm and take advantage of selective opportunities for promising long-term equity investments in local manufacturing and agro-industrial enterprises.

If agricultural credit projects are to yield acceptable reimbursement rates of 90 percent or higher, the design of agricultural credit delivery systems must be based on sound credit management guidelines. Marketing outlets must exist and be tapped effectively. This principle was effectively demonstrated by TechnoServe, which has financed oil presses to community cooperatives and producer groups as well as cereal banks in Ghana. CARE also created a small number of viable village cereal banks in Mali. The basis of the financial assistance to rubber and palm oil tree firms in Ghana by Caisse FranHaise de DJveloppement (CFD) was the assured export market for rubber and the captive local market of palm oil represented by Unilever processing plants. Moreover, TechnoServe and CARE have proved that reimbursement rates in agricultural credit can be very high, provided that loans are extended only after careful analysis, and are well collateralized, monitored regularly, and collected promptly. Although production agriculture and basic literacy/numeracy training are important, they should not take precedence over financial services development. Loans are not gifts and must be managed so that they can be repaid as agreed. This approach contrasts with that of the Cereals Market Reform Program (PRMC) in Mali, where the lax management of direct and guaranteed loans by commercial banks resulted in unsatisfactory reimbursement rates. In the Kaolack Agricultural Enterprise Development Project (KAED) in Senegal, there is an ambiguous relationship between development objectives and the promotion of viable agriculture-based enterprises in an arid and poor region. Because KAED assigned a pivotal loan extension and monitoring role to CNCAS, a weak financial institution with a record of poor credit management, there are doubts about the future rate of loan recovery.

If credit delivery programs are to be successful, they must be designed to be cost effective. In this regard, ACEP stands out among all the projects surveyed in this report. After a difficult start, the project was restructured to reduce organization and overhead costs, and yielded a small operating profit for the first time in 1991. However, other credit delivery programs, such as the one operated by TechnoServe in Ghana, are burdened by high operating expenses that are unlikely to be fully covered by the interest income of a relatively small, albeit innovative and well-managed, loan portfolio. In the design of future projects, special attention must be paid to their cost effectiveness. The level of annual operating expenses should be dramatically less than the volume of loans disbursed or the amount of assets employed. Economic cost-benefit analysis will help donors prioritize their activities and projects. At the same time, the operation of projects should be cost effective so that donors can make better use of their increasingly scarce resources.

Donor-sponsored finance projects essentially use four channels for the delivery of financial services: the creation of targeted loan funds, the brokerage of loans and equity investment through local banks and/or multilateral financial institutions, the provision of seed capital for the creation of venture capital funds, and the availability of credit lines to local commercial banks. Over the past ten years, experience in Senegal and other African countries has proved that donor credit lines often remain largely unused even when they are coupled with guarantee schemes designed to induce a higher degree of participation by local commercial banks. Donors should rely on the establishment of strictly managed loan funds, such as the CDC in Ghana, ACEP in Senegal, and VITA in Chad and Guinea. Moreover, USAID has succeeded in starting a venture capital firm in Ghana by contributing to the initial capital. The same approach could be replicated in Mali, where private investors are planning to establish a small venture capital fund, and could be used to assist in the creation of a West African regional venture capital firm. Finally, APDF=s highly credible brokering of loans and equity participation through commercial banks and international donors to private investors in Ghana have been instrumental in helping larger private sector operators. USAID, together with IFC and UNDP, could replicate this model in Senegal or other African countries.

In Francophone countries, the Banque Centrale des Etats de l=Afrique Occidentale (BCEAO) regulates financial institutions, particularly commercial banks, in a way that greatly limits credit to agribusiness. Interest rate ceilings (below domestic inflation rates in 1994) imposed on banks are especially constraining, because they provide incentives for banks to invest heavily in higher paying treasury bills, to remain relatively liquid, and to under invest in productive, rural, or agriculture-based enterprises.

Monitoring and Evaluation:

USAID has not been very active in supporting association development in West Africa, outside of Ghana, but even in Ghana there is little evidence of systematic or careful monitoring and evaluation (M&E) of association activities. At a minimum, USAID and other donors who provide financial and technical support to associations should insist upon M&E of the following: membership numbers and breakdown by firm size/type; sources of finance by type; uses of funds by activity and actual versus expected return or benefits; and membership satisfaction with association management and services

Because resources for international development and technical assistance are becoming scarce and are subject to increasing scrutiny in developed countries, donor agencies must pay particular attention to monitoring and evaluating the impact of their support to financial services in developing countries. The time allotted to this survey did not permit an in-depth analysis of M&E systems of the credit programs in West Africa, but several remarks are in order. The traditional approach of donors to project monitoring is based on the monthly comparison of project costs to date versus budget and on periodic tracking of results versus objectives, defined in project papers as the number of loan applications, loans disbursed, outstanding and past due loans, use of loan funds, the percentage of women and other targeted borrowers, jobs generated, and project impact on economic growth and export performance. A few projects also include the traditional ratio analyses of liquidity, solvency, and asset quality practiced by most financial institutions.

Important as they are, these periodic monitoring reports, with a strong quantitative orientation, generally ignore several widespread and important qualitative considerations such as the following:

- Financial condition of the project measured in terms of its ability to break even and generate a profit (Aspread@ versus bad debt and operating costs)
- Ability of the financing entity to expand the range of its services and achieve long-term sustainability, relying less on donor subsidies
- Ability to accurately measure the proportion of the portfolio at risk by providing detailed portfolio quality information showing arrears by degree of delinquency
- Innovation and demonstration capability in terms of financial intermediation and diversified risk management
- Responsiveness to clients= expressed needs for financial services
- Image of the project among individual clients, relevant government agencies, and political leaders
- Staff qualifications, adaptability, motivation, and turnover
- Quality of management, leadership, and management information.

An assessment of these criteria will lead to a qualitative evaluation of finance programs, an approach that can be very informative. It supplements traditional quantitative measurement criteria and evaluations, providing a clearer picture of project achievements and project sustainability. It also helps in providing a market analysis as well as a useful assessment of project operations as they relate to the surrounding economic and political environment. This approach represents a more appropriate framework for what finance programs do, and how they should be designed and implemented to achieve sustainability, efficient financial intermediation, and easier and diversified financial transactions.

General Recommendations

Many of the NTAE, SME, and financial services development objectives and constraints identified in this activity can be addressed by integrating effective and focused technical and managerial assistance with debt and equity financial services in a single entity**C**a Food and Agribusiness Development Center (FADC). Initially donor and/or government funded, the FADC would be structured to become self-sustaining by income derived from services fees, a Aspread@ on debt, and entrepreneur or investor equity buy-backs. The FADC would focus on supporting agribusiness enterprises in identified high-opportunity subsectors and overcoming the priority constraints that entrepreneurs face.

Identifying and developing effective and efficient intermediary organizations (e.g., associations, FADCs, or well-managed NGOs/PVOs) is essential for leveraging scarce project resources.

Key Issue

A key issue in West Africa is how to provide agribusiness SMEs with an integrated package of services, including finance, that is currently lacking, even in well-conceived agribusiness promotion projects such as TIP in Ghana.

LIST OF ACRONYMS

ABE	Agriculture-Based Enterprises
ACDI	Agence Canadienne de DJveloppement International
ACEP	Agence de CrJdit pour l'Entreprise PrivJe
ACP	African, Caribbean and Pacific countries (of the LomJ Convention)
ADB	Agricultural Development Bank (Ghana)
ADF	African Development Fund
AEF	African Enterprise Fund (of IFC)
AMELEF	Association Malienne des Exportateurs de LJgumes et Fruits
AMEX	Amex International Inc.
AMIS II	Agribusiness and Marketing Improvement Strategies Project II
APCAM	AssemblJe Permanente de Chambre d:Agriculture
APDF	African Project Development Facility (Service de Promotion et de DJveloppement des Investissements en Afrique)
APEX	Animal Productivity and Export Project
ASC	Agribusiness Service Centers
ASEPAS	Association des Exportateurs des Produits Agricoles (Senegal)
BAD	Banque Africaine du DJveloppement; African Development Bank
BAM	Bank of Africa/Mali
BCEAO	Banque Centrale des Etats de l'Afrique Occidentale
BDM	Banque de DJveloppement du Mali
BEI	Banque EuropJenne d'Investissement
BENSO	Benso Palm Oil (project in Ghana)
BICIS	Banque pour le Commerce et l'Industrie du SJnJgal
BIM	Banque Internationale du Mali
BMCD	Banque Malienne de CrJdit et de DJp^ts
BNDA	Banque Nationale de DJveloppement Agricole (Mali)
CARE	U.S. -based PVO
CCIA	Chambre de Commerce, d:Industrie et d:Agriculture de la RJgion de Dakar
CCIM	Chambre de Commerce et d:Industrie du Mali
CDAO	MimJrand group (private bank in Senegal)
CDC	Commonwealth Development Corporation
CEC/CCR/PEGF	Caisse d:Ipargne et de CrJdit/Caisse de CrJdit Revolving/Projet de Promotion Iconomique des Groupements FJminins
CFD	Caisse FranHaise de DJveloppement
CIDA/ACDI	Canadian International Development Agency (Agence Canadienne de DJveloppement International)
CM	CrJdit Mutuel
CMDT	Compagnie Malienne pour le DJveloppment des Textiles

CMS	CrJdit Mutuel du SJnJgal.
CNCAS	Caisse Nationale de CrJdit Agricole du SJnJgal
CNES	ConfJdJration Nationale des Employeurs du SJnJgal
CNP	Conseiller National du Patronat
COFACE	Companie FranHaise d'Assurance du Commerce ExtJrieur (Corporation for the Insurance of French External Trade)
COLEACP	ComitJ de Liaison Europe-Afrique-CaraVbes-Pacifique pour la Promotion des Exportations Horticoles
CPEC-CICM	Caisses Populaires d'Epargne et de CrJdit du Centre International du CrJdit Mutuel (Senegal)
CS/CAPEC/LG	ComitJ Consultatif des Caisses d'Epargne et de CrJdit de la RJgion de Louga
DEG	Deutche Investitions und Entwiklungsgesllsochaft GMBH
DELTA	SociJtJ de la Rizerie du Delta
DHV	Development of the Haute VallJe Project
DM	Deutsche Mark
ECGE	Export Credit Guaranty Department
EFCL	Export Finance Company Limited (Ghana)
EU	European Union
FAC	Fonds d'Aide et de CoopJration
FADC	Food and Agribusiness Development Centers
FAGE	Federation of Associations of Ghanian Exporters
FCFA	Monetary unit used within Francophone West African Monetary Community
FFCFA	franc French Franc
FNEM	FJdJration Nationale des Employeurs du Mali
GEPAS	Groupement des Exportateurs des Produits Agricoles du SJnJgal
GEPC	Ghana Export Promotion Council
GES	Groupement Economique du SJnJgal
GIE	Groupement d'IntJrLt Economique (economic interest group, typically producers)
GIMES	Groupement Interprofessionnel des Mareyeurs Exportateurs du SJnJgal
GNCC	Ghana National Chamber of Commerce
GoG	Government of Ghana
GoM	Government of Mali
GoS	Government of Senegal
GPAF	Ghana Pioneer Aluminum Factory
GREL	Ghana Rubber Estates Ltd.
GVCF	Ghana Venture Capital Fund
HAG	Horticultural Association of Ghana
HRDA	Human Resources Development Assistance Project (USAID)

IDA	International Development Agency
IDCA	International Development Cooperation Agency (U.S.)
IESC	International Executive Service Corps
IFAD	International Fund for Agricultural Development
IFD	International Foundation for Development
IFC	International Finance Corporation (SociJtJ FinanciPre Internationale)
ILO	International Labor Organization
ISME	Indigenous small and medium enterprise(s)
KAED	Kaolack Agricultural Enterprise Development Project
LIBOR	London Interbank Offered Rate
M&E	Monitoring and Evaluation
MoTI	Ministry of Trade and Industry, GoG
MOF	Ministry of Finance
MSLA	Mutual Saving and Loan Association (Senegal)
NACNE	National Association of Cola Nut Exporters (Ghana)
NGO	Non-Government Organization
NTAE	Non-Traditional Agricultural Exports
OMBEVI	Organisation Malienne du BJtail et de la Viande
OPIC	Overseas Private Investment Corporation
PARMEC	Projet d'Appui B la RJglementation sur les Mutuelles d'Epargne et de CrJdit
PEGF	Projet de Promotion Economique des Groupements FJminins
PIO/T	Project Implementation Order/Technical
PPPR	Projet des Petits Projets Ruraux (Senegal)
PRMC	Programme de RJstructuration du MarchJ CJrJalier (Mali)
PROPARCO	SociJtJ de Promotion et de Participation pour la CoopJration Economique
PSFP	Private Sector Foundation Project (World Bank)
PVO	Private Voluntary Organization
REDSO	Regional Economic Development Support Office of USAID
ROCIP	Rubber Outgrower Project
ROGP	Rubber Outgrower Project (CFD/World Bank)
ROI	Return on Investment
SCIMPEX	Syndicats des CommerHants Importateurs et Exportateurs
SME	Small and Medium Enterprise(s)
SPDIA	Service de Promotion et de DJveloppement des Investissements en Afrique
SPIDS	Syndicat Professionnel des Industries du SJnJgal
SSA	Sub-Saharan Africa
SSNIT	Social Security National Investment Trust
SYNOP	Syndicat des Produits du Cru
SYNTRUI	Syndicat des Transports Urbains et Inter-Urbains du Mali

TA	Technical Assistance
TDA	Trade and Development Authority (U.S.)
TIP	Trade and Investment Program
TechnoServe	Self-Help Enterprise Development NGO
UNACOIS	Union Nationale des CommerHants et Industries du SJnJgal
UNCDF	United Nations Capital Development Fund
UNCTRM	Union Nationale des CoopJratives de Transports Routiers du Mali
UNDP	United Nations Development Program
UNTM	Union Nationale des Travailleurs du Mali
USAID	United States Agency for International Development
USIA	United States Information Agency
VA	Village Associations
VFMC	Venture Fund Management Company Ltd., Ghana
VOCA	Volunteers in Cooperative Assistance
WB	World Bank
£	Pound Sterling

1. General Introduction to the Eight Country Study

1.1 Background

USAID Missions, and to a lesser extent other donors, are designing and implementing programs with the objective of developing more efficient agricultural product marketing systems. The Africa Bureau’s *Agricultural Marketing and Agribusiness Development Strategic Framework* calls for examining marketing constraints and identifying ways to improve marketing efficiency. USAID does not yet have effective monitoring and evaluation mechanisms for recently established agribusiness development programs nor ways to disseminate the lessons learned from these innovative projects to Missions in other countries.

USAID’s Africa Bureau therefore requested the Agribusiness and Marketing Improvement Strategies (AMIS II) project to carry out surveys of innovative agribusiness projects in a number of Sub-Saharan Africa (SSA) countries to provide the Bureau and Field Missions with: (a) a compilation of lessons learned to assist in developing future marketing and agribusiness development activities and (b) an effective monitoring/evaluation mechanism for its present and future activities.

1.2 Objective

“The objective of this research activity is to increase understanding of the role and significance of new, innovative agricultural marketing and agribusiness programs that Missions are implementing, and to synthesize a cogent set of ‘lessons learned’. The research activity will focus on two categories of innovative programs to support agricultural marketing development: supporting services and institutions; and financial systems and services.”[1]

1.3 Analytical Issues to be Addressed

The research activity calls for the consultant to monitor in the targeted countries the impact of new and innovative programs implemented by any donor agency and to carry out case studies of agribusiness firms targeted by a project or benefiting from a project.

As called for in the Statement of Work referenced above, the major analytical issues to

[1] Statement of Work: Monitoring and Impact Assessment of Innovative Approaches to Agricultural Marketing Systems Development.

be addressed are:

1. What are the major constraints that the program or mechanism was designed to address?

2. What are the performance indicators to measure impact and how do they relate to the goal and purpose of the mechanism/project?

3. What has been the effect of the mechanism/project on private sector investment levels, export promotion, and people-level impacts?

1.4 The AMIS II Approach to Agribusiness Development Research

The AMIS II Project was designed to provide USAID access to private sector commercial expertise that would help improve agribusiness marketing efficiency.

The major focus of the project is on stimulating private sector led economic development, not on enabling environment enhancement or social development. Although enabling environment enhancement/social development is an important aspect of economic development, the AMIS II project addresses it only when it acts as a constraint to commercial development. AMIS II focuses primarily on the provision of inputs to production agriculture and all aspects of agriculture after the farm gate. The project does not look at production agriculture issues unless so dictated by market requirements. The project utilizes a market led or demand pull approach.

The AMIS II approach is to address agribusiness marketing efficiency improvement and agribusiness project impact measurement and evaluation from a commercial/analytical perspective. Thus the report is more prescriptive in nature and less descriptive than a typical USAID project report. In other words, it deals more with the Aso what?@ and less with the Awhat=s so@ of agribusiness development activities.

The presentation style for this manuscript is not academic (replete with numerous footnotes or citations) but crisp, authoritative, and judgmental. It is based on the authors= knowledge of agribusiness firm operations, investor/financier perspectives, and their significant business development/market entry consulting experience. Therefore, the presentation style used herein uses pointed observations and represents the best business judgment of experienced analysts.

1.5 Methodology

The methodology adopted by the AMIS II team for this activity consisted of the following steps:

1. Identify and select Key Focus (apparent high-opportunity) Areas for research based on major areas of current USAID interest and the anticipated potential of a key focus area to positively affect agribusiness development. The four areas chosen**C**based on a literature review, interviews in Washington, and a field survey**C**were **non-traditional agricultural exports, association development, small and medium enterprise (SME) development, and financial services.** The first three fall into the category of Asupporting services,@ as mentioned in project objectives (see Section 1.2), while the fourth relates to the second category**C**financial systems and services. As part of this effort, the consultants reviewed the procedures used by the Missions and made recommendations to improve them (as called for in AAnalytical Issues,@ Section 1.3 above).

2. Conduct a literature search on all identifiable USAID and other donor-supported agribusiness projects in SSA countries. (See Appendix F for a list of documents reviewed.)

3. Based on (1) and (2) above, select the SSA countries that have agribusiness projects or activities, sponsored by any donor, that relate to the Key Focus Areas. Solicit USAID Mission support to work in those countries that have both relevant projects and activities and sizeable agribusiness sectors.

4. Arrange and complete an initial field trip to countries where USAID Missions invited the consultants to work, and that have apparently relevant agribusiness projects and activities being implemented. Collect additional information on the selected projects and on any others suggested by field personnel. Confirm mission and REDSO-level Key Focus Area interest.

5. Screen the identified projects or activities and select those that have aspects relevant to project objectives and to the Key Focus Areas and are that sufficiently developed to <u>start</u> yielding lessons learned.

6. Arrange and complete a second field trip to collect detailed information on the most relevant projects and do case studies on target beneficiaries, primarily via in-depth interviews with project managers, donor management, and beneficiaries.

7. Analyze the information collected, extract lessons learned, and suggest the implications for enhancing the design, implementation, and monitoring and evaluation of USAID agribusiness projects.

The research questions, as interpreted by the consultants, are as follows:

1. What project or activity objectives are relevant to the areas of focus chosen for study?
2. How are these aspects of the activity innovative?
3. What performance indicators were or are being used to monitor/measure impact of the activity?
4. How are external influences being managed?
5. How successful have the relevant interventions been?
6. What new agribusiness opportunities have resulted from the activity?
7. What monitoring and evaluation mechanisms, systems, and indicators can be suggested?
8. What relevant lessons can be learned from this activity? What mechanisms worked and did not work, and how could the impact be improved/enhanced?
9. What are the relevant implications for USAID project design and implementation?
10. What new mechanisms or interventions can be suggested to increase the effectiveness of these projects or activities?
11. What indicators of project success can be suggested, and what is the best way to monitor those indicators?
12. What other useful information should be reported and what are the main unresolved issues?

In focusing on association development and agribusiness finance, the authors attempted to answer these questions. Special attention was devoted to whether and how associations and financial institutions promote and support NTAE and SME development.

The particular emphases of this West Africa study are business and trade association development, and agricultural and agribusiness finance. Dennis DeSantis focused on association development in the Ghana, Mali, and Senegal, while Jean Crouzet concentrated on finance projects and financial institutions serving the agricultural sector. Both DeSantis and Crouzet interviewed key managers of NTAE and other agribusiness projects, particularly those with association development or finance components, as well as managers of associations and financial intermediaries. In preparing sections of this report that cut across the three countries, focusing on key findings, lessons learned, and implications for USAID, John Holtzman concentrated on association development and agribusiness finance, but also synthesized and reported material for NTAE and small and medium enterprise (SME) development, monitoring and evaluation, and general recommendations and issues deserving further study. In some respects, the cross-cutting findings, lessons learned, and implications for USAID summarized for the Key Focus Areas other than association development and agribusiness finance may be incomplete.

1.6 Limitations

Research was limited to the countries that responded positively to the SD/PSGE request for collaboration.

USAID has been the only donor interested in agribusiness development and this interest is quite recent. Therefore, there are very few USAID projects with a sufficient track record for in-depth evaluation (i.e., any results are very short term in nature). Very recently, the World Bank and some German donor foundations have focused on private sector development, which often includes agribusinesses.

1.7 Organization of the Innovative Project Reports

The entire Innovative Approaches project has two phases. Phase I covered East Africa and Phase II added West Africa, Southern Africa, and three secondary literature studies.

Innovative Approaches research findings are reported in separate volumes for East Africa (Kenya and Uganda), Southern Africa (Zimbabwe, Mozambique, Tanzania), and West Africa (Ghana, Mali, and Senegal). There will also be separate volumes reporting on the Secondary Research Findings and Overall Project Summary and Conclusions.

Each of the regional reports are organized as follows:

$ Introduction

$ Key Regional Findings (organized by the four areas of focus plus monitoring and evaluation, general recommendations, and issues deserving further study)

$ Country-Specific Studies (separate chapters)

- **C** Entities/Case Studies Selected
- **C** Findings on Donor Projects
- **C** Findings on Associations
- **C** Findings on Development Finance Organizations
- **C** Findings on Private Agribusiness Firms
- **C** Lessons Learned and Implications for USAID Planning**C**organized by the four areas of focus plus monitoring and evaluation, general recommendations, and issues deserving further study

Findings on the larger projects and associations were tabulated in matrix format, responding to the specific research questions listed in the PIO/T. These matrices are included in appendices to the reports.

2. Introduction to the West Africa Study

As noted in chapter 1, the consultants concentrated primarily on association development and financial intermediaries and projects in their fieldwork in Ghana, Mali, and Senegal. Thus, they examined some projects that had NTAE and SME dimensions.

Association Development. The tables below indicate the Key Focus Areas addressed by each business and trade association, regardless of whether that association receives or has ever received donor support.

Table 2.1
Ghanaian Agribusiness Associations

Ghanaian Associations	**Area of Focus**			
	Association Development	Financial Services	SME Agribusiness Support	NTAE Development
FAGE	Yes	No	Yes	Yes
HAG	No	No	Yes	Yes
NACNE	No	No	No	Yes
GEPC	Yes	No	Yes	Yes
GNCC	No	No	Yes	Yes

FAGE: Federation of Associations of Ghanaian Exporters
HAG: Horticultural Association of Ghana
NACNE: National Association of Cola Nut Exporters
GEPC: Ghana Export Promotion Council
GNCC: Ghana National Chamber of Commerce

Table 2.2
Malian Agribusiness Associations

Malian Associations	**Area of Focus**			
	Association Development	Financial Services	SME Agribusiness Support	NTAE Development
AMELEF	No	No	No	Yes
APCAM	Yes	No	Yes	Some
FNEM	No	No	No	No
CCIM	No	No	No	No

AMELEF: Association Malienne des Exportateurs de LJgumes et Fruits
APCAM: AssemblJe Permanente de Chambre d:Agriculture
FNEM: FJdJration Nationale des Employeurs du Mali
CCIM: Chambre de Commerce et d:Industrie du Mali

Table 2.3
Senegalese Agribusiness Associations

Senegalese Associations	**Area of Focus**			
	Association Development	Financial Services	SME Agribusiness Support	NTAE Development
CNES	No	No	No	No
CNP	No	No	No	No
UNACOIS	No	No	No	No
SPIDS	No	No	No	No
CCIA	No	No	No	Some

CNES: ConfJdJration Nationale des Employeurs du SJnJgal
CNP: Conseiller National du Patronat
UNACOIS: Union Nationale des CommerHants et Industries du SJnJgal
SPIDS: Syndicat Professionnel des Industries du SJnJgal
CCIA: Chambre de Commerce, d:Industrie et d:Agriculture de la RJgion de Dakar

In each country, other agribusiness-related associations were contacted in attempts, albeit unsuccessful, to meet with and interview their leaders. These associations are listed but not profiled in the relevant section of each country chapter. In some cases, there are brief descriptions of what these associations do.

Finance Projects and Programs: The financial institutions and intermediaries profiled are listed below by country. Note that all of these intermediaries, other than the Ghana Venture Capital Fund, are credit-granting organizations that do not provide equity. Sources of support, where applicable, are shown in parentheses.

Ghana:

ADB - Agricultural Development Bank (Government of Ghana)
TechnoServe credit programs
GVCF - Ghana Venture Capital Fund (USAID grant; Harvey and Company through CDC)
CDC - Commonwealth Development Corporation (U.K.)

Mali:

BNDA - Banque Nationale de DJveloppement Agricole
BAM - Bank of Africa/Mali
BDM - Banque de DJveloppement du Mali
CARE credit programs
PRMC - Programme de RJstructuration du MarchJ CJrJalier

Senegal:

CNCAS - Caisse Nationale de CrJdit Agricole du SJnJgal (CIDA, IFAD, ADB, FED)
ACEP - Agence de CrJdit Pour l'Entreprise PrivJe (USAID, CIDA, government)
CPEC-CICM - Caisses Populaires d'Ipargne et de CrJdit du Centre International du CrJdit Mutuel (FAC for technical assistance; CFD)
CS/CAPEC/LG - ComitJ Consultatif des Caisses d'Ipargne et de CrJdit de la RJgion de Louga (ADF of ADB; International Foundation for Development)
CEC/CCR/PEGF - Caisse d'Ipargne et de CrJdit/Caisses Populaires de CrJdit Revolving/Projet de Promotion Iconomique des Groupements FJminins (UNCDF, Netherlands, UNDP, government of Senegal)

SENCHIM - Pilot Project (government, CNCAS)
SEINVEST - SociJtJ FinanciPre SEINVEST (CDAO, BEI)

Projects: In focusing on association development and finance, the consultants interviewed managers of projects that focused on either key area. These projects, which typically had an NTAE or SME thrust, are listed below by country.

Ghana:

TIP	Trade and Investment Project (USAID)
HRDA	Human Resources Development Assistance Project (USAID)
ROGP	Rubber Outgrower Project (CFD/World Bank)

Mali:

APEX	Animal Productivity and Export Project (USAID)
DHV	Development of Haute VallJe Project (USAID)

Senegal:

KAED	Kaolack Agricultural Enterprise Development Project (USAID)
PSFP	Private Sector Foundation Project (World Bank)

Agribusiness Organizations: Only two agribusiness organizations were profiled, BENSO in Ghana and CMDT in Mali.

BENSO	Benso Oil Palm (Unilever/Ghana with ADB finance)
CMDT	Compagnie Malienne pour le DJveloppment des Textiles

3. Key West Africa Findings

3.1 Non-Traditional Agricultural Export Development

Non-traditional agricultural export (NTAE) development in West Africa has been most aggressively pursued in Ghana.[2] The Trade and Investment Project (TIP) has allocated $20 million of an overall $80 million for NTAE promotion. TechnoServe and AMEX are providing technical and export management support to SMEs entering into or expanding exports of NTAE as well as non-agricultural products. Expanded pineapple exports are the main NTAE beneficiary of TIP technical assistance, and there is potential to increase exports further, given the excellent reputation of Ghanaian pineapple in EU markets, particularly the United Kingdom.

TIP has provided a grant to the African Project Development Facility (APDF), an IFC-affiliated, but multidonor-funded organization that assists established African firms in preparing business plans for expansion or diversification and directs them to particular sources of financing. APDF has been far more active in Ghana than in other countries of West Africa, although the APDF regional office is located in Abidjan. In 1994 alone, APDF helped Ghanaian SMEs producing and exporting NTAEs to raise $8B9 million in finance (principally debt), generate $8B9 million in export earnings as well as 300 jobs, and save $2 million in foreign exchange.

TIP=s technical and export management support to NTAE development would be enhanced if coupled with export financing, which has proved difficult for SMEs to access through conventional financial institutions. Based on TechnoServe's very positive experience in providing small loans to producers' groups engaged in cereals storage and marketing, as well as palm oil processing and sale in rural Ghana, TechnoServe could serve as a TIP financial intermediary for extending loans to finance exports. Providing an integrated package of financial, technical, export management, and training services as an approach is a proven and effective way to enhance NTAEs as well as the quality and output of agribusiness serving domestic markets.

3.2 Association Development

[2] Note that both USAID/Guinea and USAID/Guinea-Bissau have funded agribusiness development projects with NTAE components. The World Bank is also working with the Guinean and Malian governments to promote agribusiness development, particularly through *inter-professional* business organizations.

Agribusiness association development in the three study countries C Ghana, Mali, and Senegal**C is limited, though more advanced in Ghana than in the two francophone countries**. The largest and best funded industry and trade associations in francophone countries tend to be general business organizations that represent formal sector (larger) firms across several sectors. Historically, these organizations were closely associated with governments and often received a significant portion of their funding from earmarked taxes. Ghana differs in that it offers an umbrella organization, the Federation of Associations of Ghanaian Exporters (FAGE), created in 1993, that represents many disparate export-oriented commodity associations.

The francophone economies have been characterized as having significant government intervention and participation, although this is changing and a more receptive business climate has been created, encouraging association formation. The overthrow of the TraorJ regime in Mali in 1991 and the formation of a democratically elected government have removed political barriers to forming associations and lobbying the government for change. In Senegal, associations consult with the government on steps to strengthen the private sector at large. In contrast, Ghana's economic liberalization, which began in the early 1980s, predates that of francophone countries, and many associations have formed, although quite a few have limited membership and resources.

The range of services provided by West African trade associations is limited, centering on lobbying governments for trade policy, general regulatory, tax, and investment reform. Few associations offer technical services in the form of training workshops, assistance in developing business plans, or accessing sources of finance for business expansion, market intelligence and market information, or any industry- or commodity-related research or analysis.

Association management is generally weak in West Africa. The smaller the association, the more likely association managers will be member-managers who work part-time for the association and full-time managing their own businesses. Even a large umbrella organization such as FAGE has only two full-time professional staff. Strengthening association management should be a donor priority, particularly in encouraging the emergence of viable interest groups in democratic civil society. The need for many dues-paying members to provide a large enough revenue base to hire full-time professional managers represents a dilemma for smaller, commodity- or subsector-specific trade associations. Hiring professional managers to lead umbrella organizations and providing them with training and technical support to work closely with the mostly part-time managers of member associations is a pragmatic and realistic strategy in light of resource limitations in the medium term.

The case of FAGE, whose creation was funded by USAID/Ghana's TIP, is instructive in several regards. First, although FAGE represents fourteen commodity-specific associations, its unifying theme is NTAE promotion. Second, through TIP, IESC provides ongoing financial, organizational, and technical assistance (TA) to FAGE. Third, FAGE projects that it will be entirely self-financed within five years of its creation. Fourth, FAGE's objectives include strengthening member associations; improving NTAE production techniques through technical assistance, training, and other donor-funded programs; and representing the technical and service needs of NTAE growers and exporters to the Ghanaian government.

It should be noted, however, that FAGE's early success is in large part a function of donor financing and TA, which has provided a jump-start, and the fact that NTAEs are of a sufficiently large volume and value ($124 million in 1993) to justify formation of such an umbrella entity. Mali and Senegal, however, whose NTAEs are far more modest in volume and value, are not yet ready for umbrella organizations. Indeed, there are few commodity- or subsector-specific associations that could form the base for such an umbrella. Hence, **the formation of an umbrella organization should follow the emergence of a robust association movement in an African country. This, in turn, depends upon a dynamic and growing economy, where firms are willing to pay dues to fund subsector- or industry-based associations that can help meet specific needs**. Finally, because associations typically focus initially on policy and regulatory reform, a receptive or neutral government seems to be a prerequisite to widespread association development. Democratic governance and the emergence of an active civil society provide an environment in which associations can form and flourish.[3]

In the two francophone countries visited during this study, the Association Malienne des Exportateurs de LJgumes et Fruits (AMELEF) appears to be the most promising agribusiness association. Comprising mainly fresh produce exporters of mangoes and French beans, AMELEF is 100 percent self-financing, is expanding (from 5 members in 1992 to 18 in 1994), and is working closely with both the regional *ComitJ de Concertation*, a working group of fresh produce association representatives from

[3] The halting and half-hearted political and economic liberalization of Kenya may have deterred association development in Kenya, which would undermine any movement toward forming an umbrella organization.

[4] The ComitJ RJgional de Concertation was created in 1994 and includes

francophone West African countries,[4] and COLEACP (ComitJ de Liaison Europe-Afrique-CaraVbes-Pacifique pour la Promotion des Exportations Horticoles), an EU organization that promotes the development of horticultural and ornamental exports from ACP countries to Europe. Although AMELEF leadership is part-time, it is dynamic, knowledgeable, and oriented toward international business. AMELEF lobbies the government, but association gains may be limited due to the lack of full-time staff and a limited capacity to increase member contributions in the short term. Malian mango exports have been stagnant except for the year 1991 (2144 mt). The export of French beans in recent years was highest in 1989-90 (483 mt in 1989 and 289 mt in 1990), but averaged far less in 1991-93 (138 mt). French bean exports for 1994 and 1995 are reported to have been better than 1991-93, however.[5]

3.3 Small and Medium Enterprise (SME) Development

Small and medium enterprises (SMEs) may be the most dynamic and nimble firms to expand NTAEs from West African countries. However, **while their small size may enables them to be flexible and market responsive, they lack access to finance, technical assistance in production, postharvest handling and export marketing, sound financial and export marketing management, and up-to-date and in-depth market intelligence** (unless they have an established relationship with an EU importer). Clearly, SMEs require support, particularly if they are planning to export or expand exports to international markets. As noted above, trade associations provide some assistance, but it is limited due to small budgets and often part-time association management. APDF, with a USAID financial contribution, has assisted some larger SMEs to perform feasibility studies and prepare business plans prior to expansion. APDF's reach is limited, however, given the time and expense required to carry out thorough feasibility studies and provide intermittent TA to firms preparing business plans. APDF can work only with a few of SMEs each year, which is not enough to have a broad-based impact. In addition, APDF does not provide finance to SMEs; rather, it identifies sources of finance such as commercial and development banks, international companies, and international financial intermediaries (e.g., IFC's African Enterprise Fund), which target small firms with finance of $0.5 to $2.0 million.

SMEs are not well-served by financial intermediaries in Ghana, Mali, or Senegal. This is because SMEs do not meet strict lending criteria, particularly collateral

horticultural trade association representatives from Mali, Senegal, Guinea, Burkina Faso and Niger.

5 EUROSTAT data are incomplete for 1994 (nine months only) and unavailable for 1995. According to USAID/Mali, 1995 was quite a good year.

requirements. Many development projects target producer, community-based, and economic interest groups in rural areas, which are not SMEs, reflecting donors= perception that these groups have the greatest difficulty in accessing financial services. **Credit extended to SMEs is limited to short-term loans of generally six months or less**. Medium- and long-term finance for investments in plant and equipment is unavailable to SMEs, which prevents them from expanding or diversifying.

Given the absence of an integrated package of services to agribusiness firms, with the partial exception of TIP in Ghana,[6] **several West African countries might be candidates for agribusiness service centers (ASCs) that offer financial as well as other technical and managerial services**. While an ASC could play a valuable role, ASC sustainability would be in large part a function of the underlying economic and agribusiness strength of the country, medium-to long-term sector growth prospects, and the ratio of micro and small enterprises to medium and large clients. Due to poor resource endowments, risky agricultural production, low population density and dispersion of agricultural production, and long distances from ocean ports, Sahelian countries do not offer ideal conditions for self-sustaining ASCs. Infrastructural constraints in Guinea are also problematic. However, with support via local and donor sources, an ASC could be a viable way to integrate the needed SME development services into a single effective entity. Ghana probably offers the best conditions for ASC development, although many of the functions of an ASC are being provided separately by various contractors under TIP. As a transition to the post-FY97 environment (after TIP funding runs out), creating an ASC in Ghana could provide an intelligent solution to the need for sustained support once TIP contractors leave or are no longer funded.

3.4 Financial Services

A major finding of this study is that financial sector policies and regulations do matter; in fact, they matter immensely. Without a reasonably liberal and open financial sector, agribusiness development tends to be suppressed, however well-intentioned and professional the efforts of individual financial intermediaries. Furthermore, a liberal and unshackled financial sector tends to go hand-in-hand with more open and progressive economies, structural adjustment programs, liberalized trade regimes, and periodic exchange rate adjustments to reflect

[6] TIP is a Apartial@ exception, because it provided a grant to APDF to assist Ghanaian SMEs seeking to expand NTAEs in identifying and accessing sources of finance. TIP itself does not work directly with or provide support to a financial intermediary.

changes in the currency=s real value. The West African countries selected for this study illustrate these points clearly.

Francophone financial institutions are conservative, risk-averse, and constrained by regional (franc zone) interest rate ceilings.[7] Loans are concentrated in housing, industry, and other urban-based enterprises because agriculture is perceived as risky, an accurate perception given the uncertainty of rainfed agriculture, particularly in drier countries (in the Sahel) and semiarid northern regions of coastal countries. Agribusiness firms must also provide evidence of collateral; character-based lending and providing loans on the basis of cash flow are not standard practices. There is some group-based lending to farmer organizations and economic interest groups (GIEs), which is designed to spread risk and lower loan processing transaction costs. Another factor is that francophone financial institutions focus on short-term finance, generally not extending credit for more than one year, and agribusiness investments often take 5 to 7 years to provide a positive return on investment. There is a complete absence of domestic sources of finance serving agribusiness investors.

Ghanaian financial institutions in particular, and anglophone financial institutions in general, are far more progressive and more willing to loan to agribusiness firms than are institutions in francophone countries in Africa. There is also a recently created venture capital fund in Ghana, which is a first for West Africa. SME NTAE promotion under TIP in Ghana is hampered by the absence of credit lines to complement TA and training (provided by TIP contractors AMEX and TechnoServe). Ghana has a more vibrant financial system in support of agribusiness development in part because Ghana is a coastal country with better access to international markets than Sahelian countries (with the exception of Senegal). In addition, Ghana receives more rainfall (lower risk of drought) than its Sahelian neighbors, and there are no regional/central bankBimposed constraints, such as interest rate ceilings. Ghana overall has a more progressive, open, and vibrant economy than its francophone neighbors, having initiated structural adjustment, with periodic currency devaluations, in the early 1980s. Ghana also has a superior resource base to most francophone countries in West Africa, with the exception of C^te d'Ivoire and Guinea. These factors all reduce the risk of agribusiness in Ghana versus that in Mali and Senegal.

The **regulatory environment needs to change dramatically** in francophone African countries if they are to achieve the success shown by Ghana in promoting agribusiness

7 In contrast, in Ghana the Agricultural Development Bank charges 35 percent interest on loans, which compensates for inflation. The interest rate ceiling of 17 percent in francophone Africa was below the inflation rate in 1994.

development. The fact that there are no viable and functioning APDF offices outside of the regional Abidjan office in francophone Africa is no coincidence. Financial and monetary policies are made at the regional level, and individual francophone countries lack the autonomy to make such changes. The benefit of this arrangement is that the CFA franc is a convertible currency.

Changing the financial policy and regulatory environment is only a start in the process of improving financial services to agribusiness in West Africa. Once interest rate and other lending restrictions are relaxed, it will be necessary to counter the risk-averse attitudes of francophone bankers and loan officers with training that provides them with the skills to assess risks and rewards in medium and longer term loans to established firms. **Loan criteria need to be driven less by collateral requirements and more by rigorous analysis of cash flow potential, quantification of risks, borrower financial performance (rather than just assets), borrower management capability, and the quality of business plans for expansion/diversification**. Given the time and effort required to improve the skills in countries such as Mali and Senegal, there may be opportunities to create a type of ASC, Food and Agribusiness Development Centers (FADCs), which offers financial services to SMEs and access to debt/equity inter alia. In addition to offering TA and management training, ASCs can be structured to offer financial services to SMEs. Hence, ASCs can serve as new financial intermediaries.

Strong financial markets tend to emerge where the macroeconomic and trade policy regimes are the most liberal. Proper exchange rate alignment, free-floating interest rates (which can be made high enough to compensate for often high levels of domestic inflation), and no restrictions on capital and profit/earnings transfers into different currencies are all key to the emergence of healthy financial markets. Furthermore, it is important to note the depressing impact on financial market development and investment that an overvalued CFA had in the late 1980s through the early 1990s. There was significant capital flight from francophone African countries, particularly after 1991-92, as foreign investors and wealthy West Africans saw that devaluation was inevitable. This dampened domestic and foreign investment. An overvalued CFA was one reason that APDF concentrated heavily on Ghana at the expense of its francophone neighbors.

Another factor that may be important, but that is beyond the scope of this paper, is the effectiveness of the Commonwealth Development Corporation (CDC) versus the Caisse FranHaise de DJveloppement's (CFD) PROPARCO. PROPARCO has a very low profile, at least in agricultural marketing and agribusiness, relative to CDC. CDC's greater effectiveness may be partly due to less tied financing than PROPARCO.

French development and lending institutions typically require tight ties with French business; CDC has less restrictive policies.

3.5 Monitoring and Evaluation

3.5.1 Financial Institutions and Agribusiness Firm Financial Performance

The monitoring and evaluation of loan portfolios by financial intermediary organizations generally follow internationally accepted financial and accounting conventions. Actual financial performance of some financial intermediaries is inadequate, as loan reimbursement rates are low, the ratio of loans to deposits is high, and provisions for bad loans are not sufficient. Lender leniency in requiring loan repayment, as in the case of CNCAS's (Caisse Nationale de CrJdit Agricole du SJnJgal) widespread forgiveness of delinquent borrowers on a national scale twice in recent years, does not help the cause, as borrowers tend to regard loans as outright grants rather than as financial obligations that must be repaid with interest. Many ultraconservative, risk-averse commercial banks experience high loan repayment rates and a good return on their portfolio, but their portfolios are typically unbalanced (loans concentrated in urban real estate and lower risk import/export businesses), with a lot of funds invested in relatively low-risk/high-yield treasury bills. Liquidity ratios also tend to be too high.

More detailed information about the composition of loan portfolios, particularly loans to agribusiness firms, would be useful in M&E of financial intermediaries serving agribusiness. Breakdowns of agribusiness loan portfolios by loan size, borrower type/size, and term of loan (short, medium, long) would be valuable information to have on a periodic basis.

In addition, rigorous M&E of financial intermediation requires tracking of the business and financial performance of assisted firms. Key issues to examine include how effectively firms use finance, what precisely they do with the equity/debt, what the results are in terms of throughput, employment, sales and profits, return on investment and the debt equity/ratio, and how well they service the loan. If results are disappointing, donors and financial intermediaries can reexamine the firm's business plan for expansion or diversification, check to see if initial assumptions have been borne out in practice, and determine if other support services are required (e.g., TA, training, hands-on management assistance, market intelligence, identification of new buyers).

Finally, **it is important for financial institutions to hire loan officers trained in**

business management. Rather than just focusing on creditworthiness with respect to conventional and conservative criteria, these new hires could examine the potential for agribusiness firms to generate cash and how quickly they would be able to pay back loans based on reasonable assumptions about operating levels, revenues, and profits. This approach requires going beyond focusing only on the cost side of the equation; analysts would concentrate on enhanced productivity, output, and returns.

3.5.2 Association Development

M&E of trade association development has been generally quite poor. This is due in part to the fact that quite a few associations are self-financed or at least not financed by donors. When associations or umbrella organizations are financed by USAID, their performance appears to be reviewed informally periodically and formally under project evaluations. There does not appear to be ongoing monitoring of association performance other than taking stock of membership numbers and association activities. A framework for M&E of association performance and impact is proposed (see Table 3.1).

Table 3.1
Monitoring and Evaluation of Association Development Performance

Performance Attribute	**Performance Indicators**	**Performance Measures**
Growing membership	Number of active, dues-paying members.	Periodic tabulations of members by firm category, level of participation, and whether firms pay dues.
Membership composition	Numbers falling into different size categories.	Size distribution of firms by revenue, sales, assets, number of employees, or other criteria.
Sources of funding	Funding by source, with special attention to dues-paying members. Diversity of sources**C**training, publications, conferences, sponsorships.	Dues guidelines & payments by firm size or type. Percentage of funding by source, other than dues.
Association responsiveness to membership	Ways in which association queries members as to their needs and degree of satisfaction with services.	Member needs surveys: types, priority, frequency, effectiveness, & feedback to members. Member satisfaction surveys administered by third party, at least annually. Nonmember surveys to determine reasons for non-membership.

Management effectiveness	Management training, experience, & longevity. Number, frequency, and quality of member interactions with management.	Specific job-related training & impact on job performance. Prior (or ongoing) relevant experience. Number of years in position. Member rating of management effectiveness and the effectiveness of services offered.
Association profile	How well known is the association? Is it regarded as a serious organization with clout by government, financial institutions, other associations (including international counterparts), importers (where relevant).	Measures of association profile: 1) informal polling of representatives of relevant organizations; 2) media exposure (trade publication, newspapers, TV); 3) sponsors' (if any) opinions.
Association political clout	Number, frequency, and effectiveness of meetings with key policymakers (high-level access).	Specific examples of association success in lobbying government for policy & regulatory reform & infrastructural investments.
Association effectiveness in disseminating information	Number, frequency, timeliness, and relevance of newsletters, bulletins, reports, seminars/meetings, etc.	Quality and effectiveness of information disseminated, as judged by members in customer satisfaction surveys.
Association effectiveness as a catalyst	Activities to identify buyers (and prospective investors), expand or diversify markets, display products in trade shows, conduct study tours, arrange finance.	Impact of those activities in terms of increased number of buyers, markets (& decreased dependence on one/few markets); more expressions of interest in country/firm capabilities as suppliers, leading to deals; increased access to alternative sources of finance & securing of finance.

3.6 General Recommendations

3.6.1 Association Development

Associations are not a panacea or solution to all the problems that agribusiness SMEs face in West African countries. If properly managed and sufficiently well-funded, they can meet certain needs, such as the following:

$ Lobbying government for policy and regulatory reform and infrastructural improvements

$ Staying current on international market trends and requirements through relationships with organizations such as COLEACP or affiliation with trade associations in high-income countries

$ Accessing specialized technical training (but not always providing funding for this)

$ Setting of professional and business ethics standards

$ Setting industry and product standards

$ Providing management and financial training to members

$ Directing member firms to sources of finance

Associations do not typically provide finance, and their influence over financial intermediaries may be quite limited, but associations can promote a positive professional image and a high set of standards for a subsector or an industry. Hence, filling the SME agribusiness niche in financing will have to come from another entity, such as an ASC. Associations can work closely with such an entity, as well as provide increasingly effective support to its membership, provided those associations represent an industry or subsector on an upward growth path, where the overall economy is reasonably buoyant.

In several countries, where subsector- and industry-specific association development is well under way, donors can help create umbrella organizations that provide greater lobbying clout on a broad set of policy, regulatory, and infrastructural issues. The lesson from the FAGE experience in Ghana is that donors need to provide several years of TA, training, and financial support, but they should plan to withdraw funding in phases so that the umbrella organization is forced gradually to generate and rely upon its own funds (and hence demonstrate sustainability).

3.6.2 Financial Services

There are two major ways to increase the share of credit to agribusinesses in West Africa. One way is to use a subsector approach (*approche filiPre*), where loans are concentrated in particular, leading subsectors; (e.g., cotton in Mali or horticultural products destined for export, as in Ghana and Senegal). Loans are provided to producers for purchasing inputs to buying firms for buying the crop and transporting and processing it, and to exporters for short-term export financing. Loan programs must be well integrated/coordinated so that they finance all the stages or levels of a subsector, from input distribution to export marketing. Loans to enterprises at different stages of targeted subsectors work well where there is an established international market for the output. Where such a market exists, and where buyers are willing and able to pay hard currency, the ability to recover funds is never really in doubt (unless there is a severe drought in the case of a rainfed crop such as cotton). Production credit and meeting the working capital needs of buyers, processors, and exporters are both necessary, because agribusinesses in targeted subsectors often lack funds for demanding short-term uses. The points made above about credit also apply to equity. In the final analysis, debt and equity need to be provided for an interrelated set of agribusiness activities, where the underlying integrating and organizing principle is the subsector approach.

A second way to improve the performance of agribusiness is by providing to particular types of enterprises, typically SMEs, financing along with other services (technical assistance in production or marketing, training, business planning, export management, market information, buyer identification/screening). Such a method results in an integrated package of technical/management assistance and services. This integration, however, is difficult to achieve for a financial entity, because it rarely has much knowledge about non financial services. An FADC, on the other hand, is better able to achieve such integration. The historically poor performance of credit programs, that are not linked to an integrated package of technical and managerial services is a strong argument for testing FADCs as a promising innovative approach to agribusiness development.

3.7 Issues Deserving Further Study

In this section, unresolved issues and knowledge gaps will be identified, and a series of questions will be posed.

3.7.1 Association Development

1. Which types of associations should USAID and other donors give priority to supporting: subsector- or commodity-specific associations, which are vertically organized and have different types of firms as members (input suppliers, buyers, processors, distributors); industry associations, which are organized horizontally (processors of a particular product, for example)? Under what conditions, in SSA and other developing countries, have umbrella organizations been created and played a positive role in promoting agribusiness development? What

services can umbrella organizations provide effectively or not provide to member associations?

2. Based on USAID experience worldwide, how should association services be most effectively scaled to association resources? Which activities should receive funding priority and under what conditions? What are the implications for how much funding (i.e., what proportion of total association funds) USAID provides to weak or newly created associations? What sources of funding have been developed beyond dues and donor support?

3. Which types/sizes of firms should associations focus on recruiting as members?

4. How should member dues or contributions be established? On the basis of sales, total revenues, employment, or other criteria?

5. How can associations most effectively represent an industry or subsector to financial institutions? Under what conditions can an association be used as a financial intermediary?

6. How can associations work most effectively with an agribusiness service center such as an FADC?

7. What is the role for "commercial" associations that sell inputs to members and market their output (especially for micro and small enterprises)?

3.7.2 Financial Services

1. Is the positive transformation of ADB in Ghana transferable to financial institutions in francophone African countries? How can financial organizations that have not served agribusiness be made to change their orientation, attitudes, and performance?

2. Are conventional financial organizations such as agricultural development banks and commercial banks the best vehicles for channeling equity and longer term debt to agribusiness firms that seek to expand and/or diversify? What other intermediary organizations might be created to meet these needs?

3. What has been the performance (independent of loan repayment) of micro-firms or groups that have received credit through an association, producer group, or

economic interest group? Have these entities generated more income and profit? Has loan repayment been funded out of increased earnings or from some other source (sales of assets, cross-subsidization from another enterprise)?

4. In francophone countries with a poor track record of financial support to agribusiness development, what is the recommended sequence of corrective actions? Should donors focus initially and exclusively on financial sector policies, regulations, and investment climate? Or should alternative intermediary organizations be created to service agribusiness? Is it possible to overcome perceptions of agribusiness as risky and anti-agricultural sector attitudes in a time period of 2 to 4 years?

5. How do regional financial and monetary policies and regulations affect agribusiness finance in francophone countries? What is the scope for changing restrictive practices, such as interest rate ceilings, in the short to medium term? Should credit programs not be funded in francophone countries where financial system constraints make de-capitalization over the long-term unavoidable? Should donors focus on providing debt and equity only to selected SMEs that meet a rigorous set of criteria?

6. How can financial, managerial, and technical services be most effectively and efficiently integrated into a single entity that is targeted on a specific high-opportunity subsector or firm type? How can a broad base of financial, technical, political, and "network" support be developed for such an entity?

4. Ghana

4.1 Entities Selected for Study

The Ghana case study focused significant attention on associations and development and commercial finance organizations; projects and private firms received less emphasis.

Projects:

TIP - Trade and Investment Project (USAID)
HRDA - Human Resources Development Assistance Project (USAID)
ROGP - Rubber Outgrower Project (CFD/World Bank)

Associations:

FAGE - Federation of Associations of Ghanaian Exporters
HAG - Horticultural Association of Ghana
GEPC - Ghanaian Export Promotion Council

Development and Commercial Finance Organizations:

ADB - Agricultural Development Bank (Government of Ghana)
TechnoServe credit programs
GVCF - Ghana Venture Capital Fund (USAID grant; Harvey and Company through CDC)
CDC - Commonwealth Development Corporation (U.K.)

Private Enterprises:

BENSO - Benso Oil Palm (Unilever/Ghana with ADB finance)

Most of the donor-supported entities have multiple areas of focus (see Table 4.1). Therefore, an assessment of each project, association, or organization was performed for each area of focus.

The assessments of the projects, associations, and other organizations that appear in the following sections include summarized objectives, impact and discussion sections, and the conclusions reached from that case study. Detailed matrix tables of some of the projects and associations appear in Appendices A and B.

Table 4.1 Ghana Projects, Associations, and Finance Organizations and Their Areas of Focus

Project/Country	**Area of Focus**			
	Association Development	Financial Services	SME Agribusiness Support	NTAE Development
TIP/USAID	Yes	Yes	Yes	Yes
HRDA/USAID	Yes	No	No	Yes
ROGP/CFD & WB	No	No	Yes	Yes
FAGE/USAID	Yes	Yes	Yes	Yes
HAG/No Donor	Yes	Yes	No	Yes
GEPC/Government	No	Yes	Yes	Yes
ADB/Government	No	Yes	Some	Some
TechnoServe Credit Programs	Yes	Yes	No	No
GVCF/USAID & CDC	No	Yes	Yes	No
CDC/U.K.	No	Yes	Yes	Yes
BENSO/Unilever & WB	No	No	Yes	No

4.2 Findings on Projects

4.2.1 Trade and Investment Project (TIP)

Sponsor:	USAID	**Project Value:**	$80 million
Start Date:	September 1992	**Completion Date:**	September 1997

Principal Agribusiness-Related Objectives:

Association Development: Create and strengthen the capacity of the Federation of Associations of Ghanaian Exporters (FAGE) to represent the interests of the thirteen member associations in discussions with the Government of Ghana on policy and regulatory reform, infrastructure development and upgrading, and export promotion issues. The member associations are NTAE oriented.

Non-Traditional Agricultural Export Development: Deliver TA in production and export marketing management to exporting firms; increase NTAE employment and exports; promote trade policy and regulatory reform to enhance the export competitiveness of Ghanaian firms; promote dialogue between government and the private sector, through FAGE and member associations.

Discussion: TIP has provided policy advisors, through Sigma One Corporation, to the Ministry of Trade and Industry's (MoTI) Trade and Investment Management Unit. These advisors have been influential in helping the MoTI effect changes in government policy and procedures regarding taxes, tariffs, and export bottlenecks. Several TIP grantees are working with producer associations (e.g., TechnoServe), exporting firms (e.g., AMEX), and trade associations (e.g., IESC) to strengthen their capacity to improve product quality, enhance export marketing management and observance of quality and product standards, and represent NTAE firms as advocates. APDF also received TIP assistance to help SMEs develop business plans for expansion and in seeking sources of finance.

Impact: In 1994, Ghanaian firms exported $124 million worth of NTAEs. APDF raised $8-9 million in 1994. Finance generated 300 jobs, and saved $2 million in foreign exchange. The export policy and regulatory environment has become more liberalized. The midterm evaluation of TIP, conducted in June-July 1995, was generally favorable.

Conclusion: TIP is a well-conceived and well-managed export promotion project that delivers a wide range of technical, export marketing, management, and association development services. Its weakness is the absence of a direct finance component. APDF assists SMEs in accessing sources of finance, but it cannot provide debt/equity. TechnoServe has experience providing loans to small firms and producer associations and might be mobilized for this purpose. A financial entity that provides direct financial assistance to SMEs is needed. An agribusiness service center could serve this purpose.

4.2.2 The Human Resource Development Assistance Project (HRDA)

Sponsor:	USAID	**Project Value:**	$5.6 million
Start Date:	June 1991	**Completion Date:**	1997

Principal Objectives: Create stronger associations as a base of support to export-oriented enterprises. Increase the efficiency and productivity of NTAE enterprises. Establish Ghana as an effective competitor in regional and international markets.

Discussion: Short-term training of owners/managers concentrates on active workshops and study tours, as well as strengthening training institutions and consulting firms. Training is important in management as well as in agricultural production or processing techniques. The project has adopted the AGhana Inc.@ approach, attempting to bring together the public sector, private sector, and the business support groups such as associations and consulting firms. There is strong integration between the HRDA and TIP projects.

Impact: Most of the performance indicators are process indicators, such as the number of workshops held, managers trained, and dues-paying members in associations. HRDA reports a 15-percent increase in association membership. Organically certified products, such as pineapples and papayas, have been exported to Europe.

Conclusion: Ghanian associations need to be strengthened in their ability to respond to members= needs. This requires a participatory approach with decentralized decision-making and authority, which contrasts sharply with the common top-down management approach of many association leaders.

4.2.3 Rubber Outgrower Project (ROGP)

Sponsor:	CFD and World Bank	**Project Value:**	$1.15 million

Principal Objectives: ROGP aims to rehabilitate 2,500 hectares of existing rubber trees on some 800 farms. The output of these farms will be processed by Ghana Rubber Estates Ltd. (GREL), which will process and export 2,500 mt of rubber per year.

Discussion:. The close integration within ROGP of outgrowers, buyers, processing facilities, and overseas markets with medium-term loans as well as short-term credit for the purchase and export of processed rubber is worth noting. As long as favorable conditions prevail on the world market, the integrated design of ROGP should benefit all parties concerned. All these components are linked for the purpose of meeting the international demand for rubber.

A precondition of the CFD loan to GREL through ADB is that the government divest its ownership of GREL and sell it to private investors. ROGP will make GREL more attractive to private investors, as it upgrades rubber production. The international demand for latex and rubber outstrips the output of Brazil, Malaysia and other producers.

Impact: Too early to evaluate.

4.3 Findings on Associations

4.3.1 Federation of Associations of Ghanaian Exporters (FAGE)

Sponsor:	USAID, TIP Project	**Funding:**	Unavailable
Start Date:	1993	**Completion Date:**	1997 (for organizational and technical assistance through TIP)

Objectives: FAGE has as its primary objectives: (1) to strengthen membership organizations; (2) to improve technical production of NTAEs through the provision of information, technical assistance, training seminars, and donor programs; and 3) to represent the technical and service needs of NTAE growers and exporters to the Ghanaian government.

Discussion: FAGE has a dynamic director who is experienced and knowledgeable in agriculture and government export policy. There is a close association with the International Executive Service Corps (IESC), which has provided ongoing financial, organizational, and technical assistance to the new organization. The strategy of strengthening the associations by working to create a strong umbrella organization enhances sustainability and impact. FAGE has ambitious goals and multiple objectives for creating a self-sustaining institution and servicing the needs of a varied membership. Recently created, FAGE is untested in these areas.

Impact: Particular lobbying successes were not identified by either consultant. The acid test of FAGE sustainability will be whether it can be entirely self-sustaining within five years of inception. FAGE projects 100 percent cost recovery from dues by then.

4.3.2 Horticultural Association of Ghana (HAG)

Sponsor: Self-financed **Project Value:** NA
Start Date: 1982 **Completion Date:** NA

Objectives: HAG intends to assist membership in: (1) correct methods of horticultural farming; (2) promotion of the export of horticultural products; (3) provision of market information; and (4) lobbying government to facilitate export services.

Discussion: There are 100 registered members, of which 40 are described as active. They consist of growers, registered exporters, and grower exporters. While HAG has a thirteen year track record, its resources are limited. It has a hard time addressing the multiplicity of objectives and problems encountered in developing horticultural exports.

Impact: Limited, but no precise information. As a member association of FAGE, its capacity to lobby government indirectly should be enhanced.

4.3.3 Ghana Export Promotion Council (GEPC)

Sponsor: Government of Ghana (with some donor support)
Project Value: Not available
Start Date: 1969 **Completion Date:** NA

Objectives: Develop and promote export diversification. NTAE promotion is very much a part of this diversification thrust.

Discussion: Although not a membership organization, GEPC is active with associations and NTAE exporters. In addition, it promotes exports of minerals, energy, and handicrafts. While GEPC is recognized as the government's export promotion arm, it is not clear what services GEPC provides to associations or individual exporters.

4.3.4 Business Association Development in Ghana: Findings

- A robust association movement is dependent upon an active and growing economic sector to supply membership with mutual economic self-interest and a desire to associate.

- Business association development in Ghana has reached a higher level than in Mali or Senegal due to the relatively greater strength of commercial agribusiness and NTAEs. However, the association movement remains weak, splintered, and in need of organization and financial assistance as it consolidates and matures. Only a few associations are viable.
- There are many diverse splinter groups that could best be served by joining in larger, better organized associations. The Amushrooming@ of associations creates political rivalries and detracts from the NTAE subsectors= ability to speak with one voice to the government to effectively lobby for change.

- Business associations in Ghana view their role primarily as promoters of their industry and their membership, not as government lobbyists.

- The managers of most Ghanaian business associations do not understand their members= interests or needs; nor do most business associations have an effective means of surveying the membership to determine the primary needs and interests. Business association leadership tends to be centralized with scant attention being paid to consensus building or membership needs.

- Member of most associations do not see the economic self-interest in joining and being active in membership. In many cases, associations are bypassed by growers, transporters, and exporters because they see no economic or social advantage in working through the association.

- Business associations are receiving active TA through USAID projects. Much of the TA is channeled through the development of FAGE, an umbrella association that will continue to develop other associations.

4.4 Findings on Development and Commercial Finance Organizations

4.4.1 Agricultural Development Bank

Sponsor: Government of Ghana

Supporting Donors: No TA but lines of credit from the African Development Loan Fund, CFD, IDA, IFAD. Export guarantees from the Export Credit Guaranty Department (ECGE) of the United Kingdom and COFACE of France.

Start Date: early 1960s **Completion Date:** NA

Objectives: Mobilize savings and make credit available to the agricultural sector, small-scale enterprises, and other sectors of the economy to:

- Promote the growth of agriculture (80 percent of the active population employment) and the national economy through credit programs.
- Facilitate the growth of integrated activities focusing on outgrowers' groups, processing, and marketing of agricultural products domestically and internationally.
- Promote the development of NTAEs such as horticultural products and seafood.
- Generate a profit from operations with a view to ensuring long-term viability.

Discussion: In recent years, ADB has diversified beyond its traditional agricultural production credit to farmers to provide finance to licensed cocoa traders, livestock producers, agro-services providers, food processors, and manufactures of local agricultural products. In 1994, ADB channeled 70 percent of its funding into agriculture and allied activities. The majority of loans was directed toward commercial non-agricultural firms. ADB has also become a primary factor in credit to small-scale enterprises. Although such loans accounted for only 5 percent of outstanding loans in 1993, ADB loans to these enterprises accounted for 55 percent of the total share of participation by banks in Ghana in support of the small business sector.

The recent diversification of the ADB loan portfolio, together with the tightening of credit approval, monitoring, and recovery procedures, have resulted in marked improvement of operating results and the balance sheet over the past five years.

ADB has tied its interest rate (35 percent per annum in mid-1995) to the rate of inflation and has been able to substantially increase its deposits and loans. In this manner, the return on equity and the return on assets between 1993 and 1994 have remained high. Despite inflation, loan recovery was 92 percent in 1993, and the provision for bad loans was 7.8 percent of outstanding loans. This represents a significant and exceptionally strong performance among West African credit institutions. In nominal terms, loans and deposits increased 96 percent and 60 percent respectively during 1994. Even allowing for the rate of inflation, deposits increased 60 percent in 1994, while loans increased at least 25 percent, an enviable record.

Impact: The reach of ADB (25,000 depositors in 1994 including individual and group accounts) has improved substantially. The contribution of ADB to overall bank credit granted to the agricultural sector increased from 27 percent increase in 1990 to 85 percent by 1994. Profitable operating results have resulted in higher dividends and increased transfer to the earned surplus account. Consequently, net profit increased 222 percent between 1992 and 1993, and the net worth of ADB increased from 3,439,255,000 Cedis ($7,868,708) to 8,262,827,000 Cedis ($12,731,629) . The subsequent 60 percent change in net profit in 1994 means that the net worth of ADB at this time must exceed 11 billion Cedis ($11,497,857). Consequently, ADB is steadily improving its capital base and its ability to sustain rapid growth.

New Opportunities: With the help of donor-sponsored credit lines, ADB has been seeking to tap new opportunities to extend credit to the agricultural sector. Postharvest inventory loans were pioneered in 1993 with cereal and other farmers' groups supported by TechnoServe to help them take advantage of price fluctuations between the harvest season and the dry season. ADB subsequently extended inventory loans in early 1995 to selected distributors of products derived from crops such as maize and palm oil. This new credit facility is designed to enable distributors to switch from suppliers' credit to bank-based credit, which will make it possible for distributors to pay for their supplies more quickly, save on interest payments, and carry more inventories.

In 1993, ADB contributed 400 million Cedis in a syndicated loan to the Lever Division of Unilever Ghana Ltd. to replace and modernize plant/equipment and existing facilities to improve its entire range of products including detergents, foods, and personal health items. During the same year, ADB also financed small-scale agroprocessing activities. It loaned 155 million Cedis to rural palm oil mills through TechnoServe.

In December 1994, ADB took advantage of a CFD-sponsored credit line to support the rehabilitation and integrated development of new rubber tree farms under the Rubber Outgrower Program promoted by Ghana Rubber Estates Limited.

4.4.2 Ghana Venture Capital Fund (GVCF)

Sponsor: USAID, CDC
Project Value: $1-million operating grant (USAID); $5-million capital raised by shareholders' contributions from Ghana's Social Security and National Insurance Trust, CDC, and DEG (Germany).
Start Date: March 1993 **Completion Date:** NA

Objectives: GVCF's objectives are fourfold:

- Acquire a significant minority (generally between 20 and 30 percent) shareholder interest as opposed to a majority position in the equity of selected companies offering an above-average potential for growth and return on investments,

- Participate actively in the management of these companies, as opposed to behaving like a passive investor, with a view to strengthening their profitability and cash flow and generating dividends,

- Cover its operating expenses through the fees earned by the Venture Fund Management Company Ltd. (VFMC) for the management of GVCF investments and generate a profit,

- Attract new shareholders in order to sustain the growth of its investment activities.

Discussion: GVCF started operations with support from USAID in March 1993. It is the first venture fund in Ghana, established to provide equity funding to private sector companies. VFMC is responsible for managing the investments of GVCF and providing advice and guidance to the companies in which GVCF invests. USAID provided an operating grant of US$1 million, used by Harvey and Company sponsored by the CDC to start GVCF. CDC has raised capital funding to $5 million through shareholders' contributions from the Social Security and National Insurance Trust, CDC, and DEG. Operating expenses are covered in part by VFMC management fees, and the unused balance of $150,000 of the initial USAID grant has been returned.

The start of GVCF has been greatly assisted by the creation of the Accra stock exchange, which has prompted private investors to purchase shares of parastatals. Yet venture capital represents a different approach in a country where native entrepreneurs are attracted primarily by trading and other short-term profit activities. Venture capital management is quite difficult in an economic environment where credit databases are not developed. Except for parastatals, for which there exist financial records that are available to the public, equity funding in other private companies requires a willingness to invest in family-owned businesses and a high degree of faith in the technical and management capability of the entrepreneur. This situation makes it necessary for the venture capital company to actively participate in the management of its investments.

This approach was followed when GVCF decided to buy an equity participation in SIDAS Farms, which is engaged in the production of eggs. SIDAS needed additional working capital for the implementation of its expansion plans. GVCF's investment decision was based on the favorable reputation and track record of the company and the strong poultry management background of the owners. GVCF is closely involved in the financial management of SIDAS.

Performance and Impact: GVCF is a privately owned, profit-seeking company. Performance indicators are the purchase price of shares (the current price earnings ratio ranges from 5 to 6), the number, quality and profitability of its investments, and the long-term capital appreciation of purchased shares. The nominal return on investment (ROI) should be at least twice the average rate of inflation, which was 35 percent in 1994. GVCF balances its operating expenses with the income generated by management fees.

It avoids majority shareholder positions and avoids concentrating its investments in a single company. To date, investments by GVCF have included one egg farm, one brewery, one soft beverage bottler, one leasing company serving the mining sector, and one carton manufacturer. Another investment to be made in the near future involves the government-owned Ghana Pioneer Aluminum Factory (GPAF), which will be privatized. GPAF manufactures and distributes metal ware and metal products. At least two of these investments enjoy demand that is price and income inelastic. Individual investments have ranged from $100,000 to $400,000 and have been restricted to significant minority positions between 10 and 40 percent of the companies' capital.

Although it is still too early to assess the success or shortcomings of GVCF's long-term financial services activity, several favorable trends have emerged. To date, GVCF has invested in five companies and participates in their management. GVCF has been dependent on the privatization of parastatals for 50 percent of its equity investments. This situation suggests that GVCF has been concentrating its efforts on the most obvious equity funding prospects.

GVCF=s tie to the Social Security National investment Trust (SSNIT), a GVCF shareholder, deserves special mention since it may result in joint investment opportunities in the future. SSNIT is by far the largest investor in the country, and like pension funds elsewhere in the world, SSNIT is diversifying its investment base. In 1994, SSNIT=s total investments amounted to 194 billion Cedis (US$202.8 million), of which two-thirds were invested in treasury bills and 20 percent in real estate and hotel loans. The balance was investment in the equity of private companies. SSNIT has several investment prospects in the agro-industrial field, some of which involve new ventures such as a soybean oil extraction plant, the processing of cocoa, and the manufacture of tomato concentrate.

To date, GVCF **has contributed exclusively to the equity funding of existing companies that have developed new business opportunities as a result of their expansion.** This is understandable for the start-up of GVCF, but venture capital companies elsewhere fund new ventures also. Eventually, GVCF will follow the same, higher risk route. In this regard, GVCF=s connection with SSNIT may prove to be very significant in the future.

Opportunities for Other Countries: Venture capital firms are easier to establish in economies that have a stock exchange. The creation of the Accra stock exchange greatly facilitated the privatization of parastatals in Ghana, which in turn spurred the creation of brokerage firms and encouraged the creation of GVCF. By providing a trading mechanism for shares, a stock exchange facilitates the bringing together of sellers and buyers of capital shares and the determination of the price at which capital shares are traded. This greatly facilitates the determination of share prices. GVCF is the only venture capital company in Ghana at this point. USAID=s initial assistance to GVCF was well timed.

West African Regional Venture Capital Proposal: Although GVCF is not involved in the effort to create an Accra-based regional venture capital firm, this project, sponsored by Databank, the largest brokerage firm in Ghana, deserves some comments. The proposed joint venture would use the mechanism of Ghana-based holdings with depository receipts covering investments in companies located in Mali and Senegal, where no stock exchange exists, as well as in C^te d=Ivoire which has a small exchange. Thus, the shares of holdings would be traded in Ghana.

Databank is seeking to mobilize $30 million from Ghanaian private investors residing in the United Kingdom and in the United States as well as from the SociJtJ de Promotion et de Participation pour la CoopJration Economique (PROPARCO), the commercial arm of the Caisse FranHaise de DJveloppement (CFD). According to Databank, the regional venture capital firm would invest in the capital of divested parastatals and financial services and telecommunications companies. The sponsor also mentioned some agro-industrial opportunities in the processing of fruit juices, snails, and mushrooms.

4.4.3 Africa Project Development Fund (APDF), Ghana Office

Sponsors: USAID, IFC (affiliated), ADB
Project Value: $28 million funding for 22 projects from 1986 to the end of 1993
Start Date: March 1993 (for Accra office); 1986 for work in Ghana out of Abidjan office
Completion Date: NA

The Accra office of APDF started operations in March 1993 with the assistance of USAID. USAID=s assistance was predicated on APDF=s strategy of decentralization away from Abidjan, where APDF has a regional office but operating costs are much higher than in Accra. Setting up an Accra office also reflected the emergence of Ghana, which has become the most active country in the APDF portfolio in West Africa and ranks second to Kenya on the African continent.

Objectives: APDF=s objectives include the following:

- Broadly support African entrepreneurs in preparing investments between US$200,000 and $7,000,000. It can also support less well-funded projects subject to local conditions and expected socioeconomic benefits.

- Assist entrepreneurs in the selection and development of investment projects.

- Selectively advise entrepreneurs, making available to them technical consulting resources required for the preparation of feasibility studies on which the promotion and implementation of the investment project will be based.

- Assist entrepreneurs with viable investment proposals in recruiting and hiring qualified technical and management personnel, and locating technical partners.

- Assist eligible entrepreneurs in selecting local and foreign partners and securing sources of funding, be they loans or equity participations.

- Broker partnership and financing negotiations between eligible entrepreneurs, potential partners, and financial institutions.

Discussion: APDF finance-facilitating and nonfinancial services are not new. What is novel is the combination of both services in an economy such as Ghana's. In addition, APDF maintains close working relationships with IFC, CDC, PROPARCO, and local as well as international banks, and is well-positioned to broker financing and other arrangements.

Performance Indicators and Impact: As a project development facility supported by donor agencies, APDF must keep development objectives in mind. Every project must first be analyzed on the basis of traditional financial criteria, but then must also be measured on the basis of expected socio-economic benefits such as employment generation, participation by women, export earnings, upgrading of local skills, environmental factors, and so on. The performance of APDF must also be evaluated on the basis of the number and volume of assisted loans and equity funding since its creation. In terms of numbers of assisted projects from 1986 to December 31, 1993, Ghana benefited from 22 such projects and ranked second in Africa. With respect to the volume of loans, Ghana ranked third with project funding totaling $28 million. APDF's assistance mechanisms, consisting of feasibility studies and loan brokering with banks and/or investors, have proved effective.

IFC, particularly its African Enterprise Fund (AEF), is one of three major suppliers of long-term funding in Ghana. APDF, which is affiliated with IFC, has made an impact in Ghana through the brokering of term loans and equity funding, thus enabling existing enterprises to expand their operations. However, the ratio of new enterprises to the total number of business enterprises is very low. For instance, in 1993, only one of seven enterprises assisted by APDF was a new business. Moreover, between 1986 and 1993 equity funding in Ghana accounted for only 4 percent of all funding arranged through APDF, compared with 18 percent for the whole of Africa.

Of the seven projects assisted by APDF/Accra and implemented in nine months of operation in 1993, one involved livestock and poultry, one was concerned with fruit juice processing, and one provided assistance to a furniture company.

Conclusion: APDF has performed a valuable role in Ghana. The long-term approach toward investment based on a business plan rather than on short-term trading activities is still not widespread and will require some time before it takes hold in countries like Ghana. However, the combination of investment advice and guidance and the brokering of financial services for African entrepreneurs has been a very appropriate method for Ghana. Yet, it should be acknowledged that this mechanism for assisting local entrepreneurs is complex, time consuming, and must be highly selective in terms of creditworthiness as measured by the entrepreneurs five C's (capital, collateral, cashflow, competence, and character).

4.4.4 Commonwealth Development Corporation (CDC)

Sponsor: United Kingdom government

Value of Projects Funded: £1.8 billion (US$2.9 billion) funding in over 340 enterprises, of which US$59 million in Ghana

Start Date: 1955 **Completion Date:** N/A

CDC has been operating for the past 40 years throughout the world. Ghana accounted for £37 million (US$59 million) of CDC long-term investments and ranked seventh in Africa and tenth in the world.

Objectives: The CDC has the following objectives.

- Identify eligible profitable and sustainable ventures in Ghana and provide them with long-term financing on commercial Terms London Interbank Offer Rate (LIBOR plus three points covering country risks and other premiums) in pounds directly or through financial intermediaries, thereby acting as a catalyst to bring in other investors.

- Promote the privatization and deregulation of the public sector.

- Mobilize equity funds for the private sector through venture capital channels and investments in financial market-based services.

Discussion: CDC, together with a few other bilateral (e.g., OPIC) and multilateral (e.g., IFC) financiers, clearly stresses the need for profitable investment in business. Unless a business is profitable, it will not be sustainable. Unless a country allows profitable businesses to develop, it will always rely on foreign aid. CDC has recently restructured its operations and is now required as a "for-profit corporation" to make a return of more than 8 percent per annum on assets employed. This operating philosophy implies lending based on traditional guidelines as they pertain to the debt to equity ratio (60:40) and other banking criteria such as liquidity, solvency, and cash flow generation to service the debt.

CDC, a development organization with a substantial loan and equity investment portfolio in developing countries, shares many common features with the Overseas Private Investment Corporation (OPIC), a U.S. government agency that reports to the International Development and Cooperation Agency (IDCA), which is an umbrella for USAID, USIA, IPK and TDA. Like OPIC, CDC is managed as a viable financial institution should be, and it is profitable. Like OPIC, CDC has successfully combined profitability and development objectives. However, there are important differences. CDC financial services are available directly to local entrepreneurs, whereas OPIC loans benefit only U.S. entrepreneurs in developing countries. Furthermore, unlike OPIC, CDC maintains a network of representative offices throughout the world, which has facilitated the identification of creditworthy entrepreneurs and the development of a much larger loan portfolio.

Performance Indicators and Impact: CDC's long-term loans in Ghana have concentrated investments in electric power, financial intermediaries, and minerals; agriculture and agro-industry have been neglected.

One major exception is Astek Fruit Processing Ltd., a manufacturer of fruit juices and fruit-based beverages that received a £711,000 (US$1.14 million) loan from CDC for the modernization and expansion of its filling and packing lines. Another possibility is financing for the rehabilitation of the Gafco flour mill/vegetable oil/cannery complex.

The role of CDC in collaborating with USAID for starting GVCF should be noted. Not only did CDC's contribution prove instrumental to the start of operations and staff training, but it also broadened the shareholder base of GVCF.

Conclusion: Should USAID decide to increase its support to indigenous private enterprise around the world, posting OPIC investment officers within USAID missions located in the most promising countries ought to be given serious consideration. OPIC has a core of well-trained investment officers who are well versed in extending loans to large- and medium-size companies.

4.5 Findings on Private Sector Enterprises

4.5.1 BENSO Oil Palm (BENSO)

The BENSO project is aimed at increasing the number of hectares devoted to palm oil trees on the BENSO estate, which is owned by Unilever/Ghana. The new hectarage will be developed by outgrowers who will be given the rights to exploit unused land. The additional output of BENSO will be purchased by Unilever's licensed buyers, who will direct it to Unilever's processing plants for oil, soap, and other consumer products. ADB will finance the outgrowers through loans with a maturity of eight years for the clearing and planting of new trees. ADB will also finance buyers' purchases of raw materials. The project is made possible by a CFD long-term loan of 9 million FF to the Bank of Ghana. The proceeds of this loan will be used by ADB for the extension of credit to outgrowers and licensed buyers. Additionally, Unilever will receive from CFD a grant of 3 million FF (US$600,000) to modernize of its processing facilities.

The BENSO project design is highly integrated. As the owner of the BENSO estate and processing facilities, Unilever is the centerpiece of the project, assisted by ADB financing of its selected outgrowers and the licensed buyers of raw materials. The modernization of the processing facilities owned and operated by Unilever, the exclusive user of the raw materials, is supported by a grant. Consequently, Unilever is at risk only when it processes and distributes consumer products.

BENSO demonstrates how a project initiated by the profit-seeking private sector and assisted by an international public donor and a local bank can develop unused land resources for the purpose of increasing agricultural production. In this case, Unilever is a beneficiary of this integrated design, and outgrowers and their families will enjoy higher incomes.

4.6 Lessons Learned and Implications for USAID

4.6.1 Non-Traditional Agricultural Export Development

Lessons Learned:

NTAE development has concentrated on training would-be exporters to upgrade their production, quality control, and marketing systems. Although valuable, training alone is not sufficient. Training activities and loan facilitation in a new activity obviously have limits and other production, postharvest handling, and export marketing problems must be resolved. Export financing facilities are very limited.

After a rapid start in the early 1990s, when it extended bad loans, the Export Finance Company Ltd. (EFCL) loaned US$1 million in 1993 and 1994, including approximately US$400,000 in long-term credit accommodation to a furniture company. Exports financed by EFCL have included coffee, seafood, scrap metal, garments, and handicrafts. EFCL is not involved in financing NTAEs such as pineapple, cashew, cola, and shea nuts promoted by AMEX and TechnoServe.

An important lesson of the TIP experience is that provision of TA for analysis and advocacy of policy and regulatory options can be a valuable complement to the more hands-on components of
an NTAE promotion project. This same mix of NTAE product and export marketing assistance, and a policy/regulatory analysis/advocacy component, has been used with considerable success in Uganda (see ANEPP and EPADU in Volume 3).

Implications for USAID:

If private sectorBled NTAEs are going to increase significantly, the addition of export financing to AMEX and TechnoServe project components under TIP should be implemented. A modest pilot credit fund of up to $500,000 could be made available to the two projects. TechnoServe has acquired considerable credible experience in managing credit programs, and should be entrusted with the administration of the joint export credit fund.

In some African countries, the Ghana TIP model of combining TA in export marketing management with analysis of policy and regulatory constraints and options may be a very appropriate design for an export promotion project. By improving the enabling environment in general and specific policies, regulations, and laws, the incentives facing private exporters are greatly improved. Policy analysis and reform are not enough, but key policy adjustments in macro variables such as the exchange rate or interest rates, and streamlining regulations that affect exporters can have a positive effect on numerous exporters. In suboptimal policy environments, policy reform can provide a lot of leverage for donors and African governments committed to export promotion.

4.6.2 Association Development

Lessons Learned:

- Association development is an integral part of the private sector development of agribusiness. Access to associations is both a reflection of the strength of the agribusiness system and a channel through which to direct development assistance.

- To have an effective voice with the government, associations must represent strong subsectors and industries. Strength is diffused through numerous splinter and highly specialized associations with weak membership.

- The development of umbrella associations that support an entire sector is a cost-effective method to reach large numbers of potential beneficiaries in a self-sustaining manner. If an effective umbrella organization can be developed and sustained, it will have the capacity to assist in the strengthening of its member associations.

- Business associations, when effective, have the potential to address the constraints to NTAE development by: assisting growers and exporters with production problems, attaining recognition as legitimate businesses, providing market intelligence and development, and lobbying the government for improved infrastructure and export services, as well as policies and regulations that are neutral or favorable toward business or particular industries/subsectors.

Implications for USAID:

- Technical assistance to associations should focus first on assessing members' needs, promoting the industry and its products, and performing research and analysis of economic and industry data to formulate policy positions.

- Establishment of an umbrella organization is an important and viable method for strengthening associations. It directs funds and TA to one organization, rather than diffusing resources, thus enhancing the chances for sustainability. It strengthens voice with the government by combining the strength of various associations. An umbrella organization can also prioritize development goals and assistance.

- Associations should work to ease finance and credit constraints. They can do this by helping to professionalize enterprises involved in the industry. Professionalizing an industry requires the establishment of and adherence to a set of business ethics, product standards, and minimum requirements for membership. Helping a member enterprise in establishing a reputation as a reliable business will not in and of itself assure financing, but it will help smooth a banking relationship or attract investment.

- The creation of strong umbrella associations or active associations will have a demonstration effect on other associations to follow as a model. Creation of a strong umbrella association would have a positive effect on other associations in related groups of subsectors or industries.

- USAID has experienced success in working with the development of umbrella business associations and could continue to build on the model.

4.6.3 Small and Medium Enterprise Development

Lessons Learned:

The start of the ROGP and the BENSO projects is too recent to yield any major lessons about the design and results of integrated agribusiness projects concerning SMEs. However, the favorable experience of TechnoServe is well documented and quite conclusive. TechnoServe has helped in the successful integration of cereal production, cereal storage in cereal banks, cereal processing in some instances, and the timing of cereal sales to correspond to periods of higher prices. TechnoServe also assisted the growing of palm oil trees and processing of oil in some 33 villages and was the leader in the development of small-capacity mills at the village level.

Implications for USAID:

Designing integrated agribusiness projects that combine sources of raw materials with processing and marketing enhances the quality of credit and reduces commercial risks. As the experience of TechnoServe demonstrates, the loan recovery rate for such projects is excellent. Project design should underscore the importance of high loan recovery rates and strict management of the credit process.

4.6.4 Financial Services

Lessons Learned:

- When agricultural credit is not subject to undue influence of the GoG, and credit programs are managed in a business-like manner, loan recovery rate can be high (like ADB's 90 percent), and this makes the entity (creditor) profitable.

- Credit programs such as those of TechnoServe, BENSO and Rubber Outgrowers integrate production, marketing and credit facilities and such integrated approaches result in full (100 percent) loan recovery.

- Export financing is not available for several NTAE products, such as pineapple, cola, cashews, and shea nuts. This lack of credit impedes the efforts of TechnoServe and AMEX in the promotion of NTAEs under TIP.

- Long-term financing loans available to Ghanaian entrepreneurs through IFC=s African Enterprise Development program and CDC have benefitted relatively large agribusinesses but not most SMEs.

- Equity funding is beginning to be available to medium and large private entrepreneurs, including agribusiness companies.

- There are no food retail/wholesale credit facilities available for the transformation and distribution of agricultural products in urban areas.

Implications for USAID Project Design and Implementation:

- Assuming that the promotion of NTAEs will continue to be a key element of TIP, export programs should be supported with export finance so that export growth will not be impeded by a lack of credit.

- The sustainability of agribusiness credit programs will be greatly helped by closer integration of outgrowers, licensed commodity buyers, processing facilities, and marketing outlets within and outside Ghana. The integration of credit facilities, especially at the outgrower and licensed buyer levels, will facilitate loan recovery.

- To the extent possible, the design of future projects should use locally available equity funding. The policy of the SSNIT, a shareholder of GVCF, is to favor viable local investment opportunities and new ventures. There is also an opportunity for improved coordination with IFC, CDC, and APDF for future projects and ventures.

- Urban food distribution could be assisted with a credit program that focuses on small and micro entrepreneurs involved in the transformation and marketing of food products. Such a credit program would also include other activities. Based on the experience of similar projects in Africa (VITA in Chad and the Central African Republic), such programs fill a gap and are much needed. If managed in a business-like manner, they can reach operating self-sufficiency.

4.6.5 Monitoring and Evaluation

Lessons Learned:

- M&E of business and trade association performance in Ghana are inadequate. For example, no concrete examples of lobbying successes were reported.

- Effective M&E of trade association performance requires tracking the following factors or variables: membership satisfaction with association services; membership numbers and dues paid (by type/size of firm); detailing of actual services provided to whom (which members); and specific lobbying successes in effecting policy/regulatory reform and getting government to make (or contribute to) key infrastructure investments.

- Resources for association activities are limited; funds for M&E will likely have to come from outside sources, such as donors.

- M&E of USAID-supported financial institutions and projects are deficient and limited to conventional measures such as results defined as the number of loan applications, loans disbursed, loan volume (in value terms), outstanding and past due loans, use of loan funds, percentage of women and other targeted borrowers, and sometimes employment generation, foreign exchange earnings/savings, and impact on economic growth.

- Conventional measures of financial project performance need to be supplemented by other measures that provide a broader picture of financial institution performance, how borrowers' operations and profitability are affected by loans/equity, how the financial institution and its staff are perceived by clients and government agencies, and so on.

Implications for USAID:

- USAID needs to develop guidelines for monitoring and evaluating association development project components, which include some form of member satisfaction (with association services and leadership) survey.

- Given limited resources for association activities, USAID should plan to provide supplemental resources for M&E of association performance to assisted associations.

- USAID needs to strengthen M&E of the financial performance of assisted financial intermediaries in Ghana and elsewhere in SSA. Key considerations include the project (and the intermediary's) financial condition, the range of services offered and whether they are expanding to meet client needs, the intermediary's long-term sustainability, and its ability to adapt and innovate to meet old and new client requirements.

- USAID needs to provide additional resources for tracking the business and financial performance of firms, producer groups, and other economic interest groups which receive debt or equity from a USAID-funded agribusiness intermediary.

- USAID should pay more attention to important qualitative measures of the performance of assisted financial intermediaries, including their perceived responsiveness to clients and their expressed needs; the institution's image or profile among clients, government agencies and others; staff capability, motivation and responsiveness; and the quality of management and leadership.

4.6.6 General Recommendations

Ghana is proceeding with the privatization of parastatals at a fast pace and the role of the private sector in agribusiness and other activities is expanding rapidly. While this development is welcome, privately owned companies must see to it that their operations are not only profitable but also transparent (accountable to shareholders and banks) and run in a professional manner consistent with long-term sustainability. This suggests that donors will have a role to play with respect to the training of managers and executives.

To achieve its export targets, the Ghanaian government and private sector will have to address the following constraints:

1. **The lack of a steady, reliable source of raw materials to either export as fresh produce or to process into exportable products.** To attract and maintain international clients, exporting firms must be able to meet orders on a timely basis with products of a consistent quality. The problem begins with producers, but extends through the subsector with problems in the infrastructure and export services, finance, and business management.

2. **Lack of sufficient infrastructure and inadequate export services.** The transport and road network needs to be upgraded. There is only one

international airport and it has limited cargo space and handling, refrigeration, or bonded warehouses to serve exporters. The international communications system is inadequate and requires upgrading.

3. **Financing for producers and exporters is limited and expensive.** Enterprises have few options for financing capital invested, and they face high rates of 35-40 percent for short-term working capital loans. The lack of sufficient finance constrains the entire subsector.

4. **Government regulations and a weak private sector slow the effect of market liberalization.** Further change in policies to facilitate investment and exports needs to be implemented. Export regulations, procedures, and inspections need to be streamlined.

4.6.7 Issues Deserving Further Study

USAID/Ghana, with help from the Africa and Global Bureaus, needs to deepen its knowledge of the priorities and activities of trade associations under the FAGE umbrella organization. If specific successes were documented, they could be used to demonstrate the effectiveness of Ghanaian associations to nonmembers. Evidence of concrete, tangible success could build membership and revenues, which could be put to priority uses to serve members and their industries/subsectors.

Case studies or profiles of firms, particularly SMEs assisted by USAID-funded projects, could complement more systematic M&E of NTAE projects and programs. Factors driving success could be identified, analyzed, and disseminated to a broader audience of struggling yet emerging SMEs.

The experience of the GVCF needs to be carefully tracked, as the lessons learned from this venture capital fund will be highly instructive for other equity- (and debt-) extending financial entities targeting SMEs throughout West Africa. The conditions under which venture capital funds and FADCs are most likely to operate effectively, as well as specific measures to ensure their success <u>despite</u> less than optimal local conditions, should be analyzed, disseminated to, and understood by a broad West African and SSA audience.

5. MALI

5.1 Entities Selected for Study

The Mali country case study placed heavy emphasis on trade associations and financial institutions.

Projects: (with supporting donor in parentheses)

APEX - Animal Productivity and Export Project (USAID)
DHV - Development of Haute VallJe Project (USAID)
There is also a World Bank project active in promoting agricultural trade and processing, which is profiled in Appendix C.

Associations:

AMELEF - Association Malienne des Exportateurs de LJgumes et Fruits
APCAM - AssemblJe Permanente des Chambres d'Agriculture du Mali
FNEM - FJdJration Nationale des Employeurs du Mali
CCIM - Chambre de Commerce et d'Industrie du Mali

Development Finance Organizations:

BNDA - Banque Nationale de DJveloppement Agricole
BAM - Bank of Africa/Mali
BDM - Banque de DJveloppement du Mali
CARE credit programs
PRMC - Programme de RJstructuration du MarchJ CJrJalier

Agribusiness Organizations

CMDT - Compagnie Malienne pour le Developpment des Textiles

5.2 Findings on Projects

5.2.1 Animal Productivity and Export Project (APEX)

Sponsor:	USAID	**Project Value:**	$10 million
Start Date:	1993	**Completion Date:**	1998

Principal Agribusiness-Related Objectives:

Traditional Export Promotion: Strengthen marketing and commercialization of traditional livestock subsector products, live animals, and unprocessed hides and skins. Increase exports of livestock to the established market in C^te d'Ivoire and to "new" markets in Ghana (cattle) and Senegal (small ruminants).

Non-Traditional Export Development: Develop exports of red meat and processed hides and skins to West African markets and beyond (Gabon for red meat, Europe for hides and skins).

Financial Services: APEX offers no financial services. This is a fundamental weakness, given that APEX is promoting export of non-traditional meat products and further processed hides and skins. An export finance component, in addition to mention capital investment, is needed.

Small and Medium Enterprise Development: Assist livestock producers to improve animal production methods (especially through fattening) and traders/exporters to identify market opportunities, negotiate contracts with (regular) buyers, and lobby for a reduction in unofficial marketing costs (e.g., checkpoint and border harassment).

Association Development: Assist regional livestock producer and trader organizations to lobby the government for policy and regulatory reform and proper enforcement, to organize production and marketing for special market opportunities such as the Moslem holidays (e.g., invite Senegalese buyers to attend pre-*tabaski* sheep fairs) and for export of non-traditional products such as meat.

Discussion: Livestock exports have been an important source of export revenue for decades. Because export marketing channels are informal and there is no insurance system, little of the livestock export revenue is transferred through the formal banking system. Malian banks are not interested in the financing of long-distance livestock trade; most exports are self-financed by informal traders.

While APEX hopes to improve the competitiveness and efficiency of live animal exports to established markets, it is also encouraging "progressive" and "modern" entrepreneurs to export chilled meat to C^te d'Ivoire, Ghana and Senegal. This requires a radical restructuring of the livestock marketing system in West Africa, shifting value-adding slaughter and chilling/freezing of carcasses to the Sahel. APEX assumes that bank credit for cold storage, additional modernized slaughterhouses, refrigerated trucks, and export finance will be made available to these "second-generation" Malian businessmen. Because the cold chain is not well established in Mali or in the rest of West Africa, and refrigeration is very costly, export of meat from the Sahel to coastal markets has been limited and unprofitable in the past.

Further economic analysis is required to determine if transformation of the Malian livestock industry is economically viable. Note that Mali and other Sahelian exporters (Burkina Faso, Niger) face competition in urban coastal West African markets from chilled and frozen red meat and poultry imported from the EU. Although variable levies imposed on EU imports in 1991 offset the cost advantage of non-African chilled and frozen meat, and CFA devaluation in January 1994 doubled the local currency cost of imports from non-CFA zone countries, low-grade EU red meat is still imported into Abidjan and Accra/Tema.[8] It is unlikely that Sahelian exporters of chilled red meat will be able to dislodge these importers in the short-term. Another consideration is the West African consumers= preference for fresh red meat (from animals slaughtered that very day). Chilled and frozen red meat have a second-grade status and are viewed as A poor people's food,@ because the EU exports to West Africa offals and cuts that have no economic value in Europe.

Impact: Mali's livestock exports to C^te d'Ivoire increased in 1994 relative to 1991-93, but virtually all of this increase can be attributed to CFA devaluation. APEX has had a positive impact in western Mali by organizing sheep fairs attended by numerous Senegalese buyers prior to *tabaski*. Sheep producers reported receiving higher prices for their sheep in large part due to the increased buying competition (greater number of buyers). Regional livestock producer organizations have achieved some success in reducing livestock marketing costs, particularly unofficial ones, on trade routes between Mali and C^te d'Ivoire. Productivity increases in livestock production appear to be promising.

Conclusion: APEX is a large and diverse technical assistance project, which has

[8] Note that the decline in imports of EU chilled and frozen meat into C^te d=Ivoire was compensated for largely by increased exports of live animals from the Sahel to the coast.

chosen to work closely with regional organizations comprising livestock producers, butchers and traders, and selected livestock service representatives. APEX appears to have strengthened the voice and lobbying clout of these organizations, contributing to the emerging Malian civil society (post-1991 overthrow of the TraorJ regime). APEX has <u>not</u> collaborated with OMBEVI, the Malian livestock and meat organization, a government agency that received considerable support under USAID-funded livestock subsector projects during the 1970s and 1980s.

It is not clear if hard economic analysis underlies the project objective of promoting meat exports to coastal West African markets. Several earlier studies have shown it to be unprofitable; parastatals which tried to export chilled meat from the Sahel to the coast during the 1970 and 1980s lost money.

5.2.2 Development of Haute VallJe Project (DHV)

The consultants were unable to meet with the USAID and contract team managers of the DHV project, who were attending a regional review of the just completed horticultural export season for 1994-95, held in Ouagadougou in late June 1995. The following profile is based on a later interview with the USAID project officer, faxed information from the project's agribusiness technical advisor, and secondary sources.

Sponsor:	USAID	**Project Value:**	$22.83 million
Start Date:	1988	**Completion Date:**	December 1997

Between 1988 and 1993, DHV focused on restructuring the parastatal OpJration Haute VallJe (OHV), privatizing credit, input supply, and marketing functions, developing farmer organizations, expanding the rural road network, and strengthening private firms and financial services. The National Cooperative Business Association was charged with implementing a three-part rural enterprises and institutional development component aimed at privatizing credit, marketing and input supply functions as OHV reduced its role in these areas.

The project amendment of August 1993 extended DHV for 4.25 years, during which a different contract team was selected to implement the project. Highlights of the amendment include an agribusiness and marketing program for exportable horticultural crops, extension of the credit guarantee scheme to individual farmers and agribusiness firms (beyond just VAs), construction of another 100 km. of farm access roads, support for establishing a road maintenance program, continued technical support for OHV's agricultural extension services, and an adult literacy program.

OHV is responsible for rural development in approximately a 100 km. radius around the city of Bamako. It also plays a coordinating role between small farmers (and farmer organizations) and the private business sector.

Principal Agribusiness-Related Objectives:

Non-Traditional Agricultural Export Promotion: Building on many years of experience working with agricultural producers and their associations in the upper Niger River valley, DHV has concentrated initially on expanding exports of green beans and mangoes to Western European markets. Less attention has been focused on regional markets. DHV has begun to explore opportunities to produce and export other NTAEs, such as poultry, herbal and medicinal products, and other industrial crops and value-added products.

Association Development: DHV continues to strengthen active producer organizations in the *haute vallJe*, reinforcing earlier USAID investments in agricultural extension. DHV is working closely with AMELEF this export season (late 1995-mid 1996) on a trial basis.

Financial Services: DHV offers some financial services through OHV. OHV provides largely production credit to small producers and VAs, as well as some loans to entrepreneurs.

Small and Medium Enterprise Development: DHV collaborates with horticultural exporters to identify market opportunities and bottlenecks. The project serves as an intermediary among exporters, producers, Air Afrique (which exercises quasi-monopoly air freight rights) and European importers. DHV provides information and technical assistance when required.

Discussion: The agribusiness component of the DHV Project seeks to strengthen the OHV's ability to identify market opportunities, analyze constraints, implement agribusiness-oriented programs, and generally think and act more like a business than a parastatal agency. The contract implementation team includes advisors in agribusiness and financial management.

Mali's market share as a mango exporter, principally to France, has declined in recent years, partly because traders in C^te d'Ivoire are reported to purchase much of the Malian (and BurkinabJ) mango harvest and ship it by sea as "Ivoirien" mangoes.

Malian French beans fetch high prices in Europe and are reportedly of very high quality. Nevertheless, DHV is not aggressively promoting French bean production and exports, given the limited market for high quality seasonal produce. Green bean exports will and should be only one of many export alternatives, given air freight and cold storage constraints, serious and increasing competition from other African suppliers, the short-term outlook of many Malian exporters, and limited available financing.

The cold storage situation at the international airport outside Bamako is unsatisfactory and constrains horticultural exports. There is one private facility owned by an AMELEF member, who is an exporter and generally does not make the facility available to other exporters. A second cold storage unit is owned by the defunct Fruitema company, a mixed public-private enterprise. This facility is not currently operational, despite serious efforts to bring it back on line, which have been undercut by legal conflicts and creditors. Around the city of Bamako, there are other, small and not entirely appropriate cold storagte units that are being used.

Impacts: Hurt by its landlocked position in West Africa, Mali's horticultural exports have generally stagnated in recent years. Other than a banner year in 1991 (2,144 mt), Malian mango exports have not increased. French bean exports were highest in 1989 and 1990 in recent years (483 mt and 289 mt, respectively) but averaged far less (138 mt) in 1991-93. Exports for 1993-94 and 1994-95 were reportedly better.[9] While the 1995-96 season offered a lot of promise, a number of unanticipated problems, such as labor and management problems at Air Afrique, nationwide strikes in France in late 1995, unusually hot weather in Mali in the first quarter of 1996, and carton factory problems, have had a negative impact.

Conclusion: The DHV project╘s activities should be closely monitored, because they address a number of Key Focus Areas of the *Innovative Approaches* project. AMIS II is unable to draw conclusions about the quality of DHV monitoring and evaluation of progress and impacts.

5.3 Findings on Association Development

5.3.1 Association Malienne des Exportateurs de LJgumes et Fruits (AMELEF)

Sponsor: None; works with USAID and COLEACP

[9] EUROSTAT data are incomplete for 1994 (nine months only) and unavailable for 1995. According to USAID/Mali, 1995 was a good year.

Budget: Unavailable, but small **Membership:** 18 firms
Start Date: 1992 **Completion Date:** NA

Principal Objectives: AMELEF promotes NTAE by (1) enforcing product standards for export; (2) arranging air cargo and handling, (3) representing membership to government, and (4) promoting industry development through bank credits and processing.

Discussion: By 1994 AMELEF had eighteen members, some of which are not full-time, active members. The two association managers are dynamic and knowledgeable, but they managed businesses outside of the horticultural subsector. As with other small associations that are managed by part-time managers and financed entirely by member dues, AMELEF's capacity to attack multiple problems on many fronts is limited by funding and leaders' time and energy.

Impact: AMELEF was instrumental in getting cold storage upgraded at the Bamako airport. Well-regarded by and well-linked to the government, AMELEF has a limited commodity focus (horticultural products) and operates professionally as a true trade association. As a small, resource-constrained organization, it faces the classic dilemma of trade associations with a tight focus but limited membership**C**resources are very limited and it is not possible to hire full-time managers.

Conclusion: Because AMELEF is operating reasonably effectively without donor support, USAID is advised to allow the organization to mature and gradually expand membership. If an agribusiness umbrella organization were formed, AMELEF could serve as one of the key foundation pillars.

5.3.2 AssemblJe Permanente des Chambres d'Agriculture du Mali (APCAM)

Sponsor: None; perhaps some government support (not reported by leadership)
Budget: Unavailable but limited; not all members pay dues
Membership: Hundreds, 95 percent of which have holdings less than 10 hectares
Start Date: 1993 **Completion Date:** NA

Principal Objectives: As an association of primary producers in the agriculture, livestock, fishing, and forestry subsectors, APCAM represents members' needs to the government and promotes the growth and development of the agricultural sector.

Discussion: The creation of APCAM is evidence of the nascent evolution of civil society in Mali of the post-TraorJ period. As a grassroots organization, APCAM is committed to representing the interests of commercially oriented large-scale (by Malian standards) agricultural producers, but it is unsure of what services to offer members.

Impact: Although it is a new association, APCAM appears to be too broad-based and diffuse to be effective. With limited resources, its impact on commercial agriculture appears to be very marginal to date.[10]

5.3.3 FJdJration Nationale des Employeurs du Mali (FNEM)

Sponsor: None; perhaps some government support (not reported by leadership)
Budget: Unavailable; financed by dues and charges for training/management classes
Membership: 19 associations from all sectors
Start Date: 1991 (but had earlier predecessor)

Principal Objectives: FNEM is an umbrella organization that represents associations from many sectors in matters such as the commercial code, social benefits, and taxation. It distributes information on legal changes and holds periodic roundtable meetings to inform members of changes in government policy.

Discussion: FNEM was preceded by very weak, informal predecessor organizations from 1980 to 1991. None of the associations are involved in agriculture, but some are involved in agribusiness. FNEM appears to be much more successful than its predecessors due to the current more favorable environment to association development. It has widespread recognition and appears to have some influence with the government.

Impact: None was reported.

Conclusion: For FNEM to function more effectively, its member associations, several of which are weak and poorly organized, must be strengthened. Whether USAID or another donor should concentrate technical assistance on strengthening weak member associations or in working with the umbrella organization FNEM to strengthen those weak associations is debatable. The Ghanaian experience suggests, however, that an

[10] An APEX analyst suggested that the market information component of the Sahel Regional Initiative, which focuses on removing constraints to long-distance, intraregional livestock trade in West Africa, consider using APCAM to assist the Malian government in collecting data on livestock prices and flows.

umbrella organization will function more effectively if its member associations are viable and well-organized but have limited resources for lobbying and other umbrella-type functions. Since many of the trade policy, tax, legal, and investment incentive issues that trade associations face cut across subsectors and industries, an umbrella organization can economize on lobbying costs that are high for individual commodity- or industry-specific associations. Using an umbrella organization to lobby frees the individual associations to concentrate their programs on issues and problems that are unique to their subsector/industry. Because the Malian association movement is nascent and underdeveloped, donor support to member associations may be more appropriate than support to an umbrella organization (with the objective that the umbrella could do this strengthening on its own).

5.3.4 Chambre de Commerce et d'Industrie du Mali

Sponsor:	Government		
Budget:	Unavailable; a substantial portion of budget comes from the government		
Membership:	Most of the commercial enterprises in Mali, but few are active. Traders and transporters predominate. Large importers are also well represented.		
Start Date:	1920	**Completion Date:**	NA

Principal Objectives: Promote the growth of private sector business in Mali, as well as domestic and international trade.

Discussion: The *Chamber* has historically been closely associated with the government. It also is supported by links to French firms and chambers of commerce in France. The *Chambe*r is not viewed by donors and analysts as an efficient or well-managed organization.

Impact: As a heavy-handed and bureaucratic organization, the *Chamber* has a reputation for being indifferent to its membership and the private sector. It has had little impact on agribusiness.

Conclusion: The *Chamber* is not a suitable vehicle for representing agribusiness. Given its historical ties to the government and to French business, the *Chamber* should not receive donor support.

5.4 Findings on Development Finance Organizations

5.4.1 Banque Nationale de DJveloppement Agricole (BNDA)

Total Assets: 4,721 million CFA (US$18.884 million) in 1993
7,294 million CFA (US$14.588 million) in 1994
Outstanding Loans: 13,267 million CFA (US$53.068 million) in 1993
Net Profit: 458 million CFA (US$1.832 million) in 1993
Return on Equity: 6.74 percent (1993)
Return on Assets: 1.72 percent (1993)
Major Shareholders: Government of Mali, CFD, BCEAO, DEG (Deutsche Investitions und Entwiklungsgesllsochaft GMBH)

Objectives: BNDA=s objectives are fourfold: mobilize savings and make credit available to the agricultural sector; promote the growth of the agricultural sector and the economy; support the development of the cotton, rice, coarse grain, groundnut and livestock subsectors; and generate a profit from operations that can sustain the long-term viability of BNDA.

Discussion: BNDA's loan portfolio shows an unbalanced distribution of loans favoring large borrowers, such as CMDT and the SociJtJ de la Rizerie du Delta (DELTA), to the detriment of VAs (village associations) and GIEs (Groupements d'IntJrLt Iconomique). Larger borrowers require loans to meet short-term operating costs as well as long-term investments. VAs and GIEs require medium-term loans for acquiring tractors, irrigation equipment, and dehullers, and for obtaining postharvest credit.

By maintaining several large priority clients and numerous VAs and GIEs, BNDA hedges against the sharp fluctuations in the production of rainfed agriculture, which is characteristic of semiarid zones. Rice production is irrigated in Mali, and cotton is produced in higher potential, wetter agricultural zones. Furthermore, large clients require lower management and monitoring costs.

BNDA has concentrated on the major crop subsectors and has ignored livestock and horticulture. It operates profitably and conservatively, in accordance with BCEAO Banking Commission criteria.

An increase in the proportion of interest-bearing deposits between 1990 and 1993 has increased BNDA's cost of savings mobilization and therefore its cost of funds. The government and international donors still contribute 54 percent of all funds, however, on which no interest is paid.

BNDA depends heavily on government and donor largesse for its profitable operation. CFD is assisting BNDA to develop a strategic plan for the 21st century.

Conclusion: BNDA's institutional sustainability depends on its ability to expand its network of branches, decentralize its operations, and increase its participation in agribusiness. There is, however, a shortage of qualified bank staff with expertise in agriculture and agribusiness. Diversification outside of agriculture may also be required, given the risk of agriculture-based activities in drought-prone Mali. Without strict preconditions, it is unlikely that USAID/Mali would provide technical assistance or a credit line to BNDA.

5.4.2 Bank of Africa/Mali (BAM)

Total Assets: Unavailable
Outstanding Loans: 12,000 million CFA (US$24 million) in 1994
Major Shareholders: Privately owned

Objectives: BAM extends postharvest credit to well-established borrowers such as CMDT, and also uses targeted credit provided by donors.

Discussion: As a typical commercial bank in francophone Africa, BAM is not innovative. Half of BAM's portfolio is dominated by loans to CMDT, which cover inputs, transportation, processing, and equipment. CMDT receives a preferential interest rate of 9 percent (plus 15 percent tax). BAM also provides modest assistance to producers and exporters of fruits and vegetables at the higher market interest rate of 15 percent (plus 15 percent tax). Gum arabic exporters also receive loans at 15 percent .

Under an ILO credit line for SMEs, BAM has loaned funds to 68 enterprises, totaling 314 million CFA (US$628,000). Under a guarantee agreement with the Government of Mali, BAM has financed early retirement programs of 32 civil servants.

BAM's profitability is closely tied to the success of CMDT, its dominant customer. CMDT in turn is dependent on France as its predominant buyer.

Conclusion: Although profitable, BAM is highly liquid and does not make full use of its assets. Management for profit in a business environment as difficult as that in Mali does not promote a search for growth and diversification opportunities, and it is unlikely that BAM would make full use of a credit line extended by USAID. BAM and other commercial banks need to diversify and to take on higher risk loans selectively. To do this requires convincing bank management that this is an effective strategy for long-term bank expansion and economic growth, as well as hiring and/or training loan officers who have experience in business management or in evaluating the capacity of agribusiness firms to generate a cashflow that is sufficient to service their debt.

5.4.3 Banque de dJveloppement du Mali (BDM)

Objectives: As part of the banking conglomerate that concentrates its lending on CMDT, BDM supports the agribusiness activities of large parastatal customers.

Discussion: BDM is a commercial bank that was restructured in the late 1980s. It is currently profitable yet highly liquid, with a loan to deposit ratio of only 0.40. CMDT receives most of BDM=s loans, using them for input and postharvest and equipment credit.

As a commercial bank in the CFA zone, BDM is regulated and influenced heavily by the BCEAO. BCEAO recently reduced the amount of liquid funds that banks could invest in government Treasury bills. Commercial banks are supposed to use excess liquidity for interbank loans, which carry lower interest rates. Given the overall surplus liquidity, interbank loans are not a viable alternative to higher yielding treasury-bills.

Unreimbursed loans account for 25 percent or more of outstanding loans, and the CFA franc devaluation in January 1994 worsened this situation. Adequate provision for bad loans is a high short- to medium-term priority.

Impact: BDM effectively supports parastatal agribusinesses but not SMEs. It is not a diversified lender willing to take risks.

Conclusion: In the longer term, commercial banks need to diversify their portfolios, providing credit to agribusiness SMEs in addition to the handful of established, giant customers like CMDT and DELTA. Loans to SMEs carry higher costs and risks, however, and commercial bank loan officers are not trained to evaluate the creditworthiness of agribusiness enterprises with limited collateral. AMIS II is skeptical that commercial banks in francophone Africa can effectively serve agribusiness SMEs, not to mention start-up firms, in the risky agricultural and economic environments of francophone countries such as Mali.

5.4.4 CARE credit programs

Sponsor: USAID, others **Project Value:** 5.5 million CFA (US$11,000)
Start Date: 1986 **Completion Date:** Unavailable

Objectives: CARE provides loans to women and VAs for processing shea nuts, trading basic foodstuffs, and financing cereals banks in the Timbuctu region of Mali. The Women's Credit Program of CARE aims to encourage savings and savings-based credit programs to assist women entrepreneurs. Loans to VAs finance cereals storage during the dry season to benefit from price rises, as well as irrigation pump purchases.

Discussion: The Women's Credit Program of CARE has successfully mobilized savings, which are used to provide loans to women's groups, whose peer pressure and collective discipline lead to 100 percent reimbursement. Loans to individuals within groups are made on the basis of the borrowers' character; borrowers are monitored closely. The principles of equity contributions through savings, cashflow generation capability, thorough knowledge and close monitoring of borrowers, and group cohesion and commitment to undertake joint and several liabilities are key factors for successful rural credit programs.

CARE has helped finance 21 cereal banks, disbursing 3 million CFA (US$6,000). CARE has also promoted irrigated agriculture as a way to manage the risk of a shortage of rainfall. Loans to VA-operated cereals banks have been successful due to (1) training of VA managers in accounting and management and (2) CARE's building of cohesive VAs committed to loan repayment.

Impact: The Women's Credit Program has reached some 525 to 1,050 women in 35 groups, assuming 15 to 30 women per group, over the past three years. Only half of the groups have received loans to date, as disbursements have totaled a modest 2.5 million CFA (US$5,000).

Sustainability of the VA loan program and phasing out of CARE financing are projected for the year 2000, subject to creation of a regional federation of VAs and facilitating loans between BNDA and the federation.

Conclusion: The strength of the CARE credit programs has been the building and training of cohesive groups to the point where they perceive potential benefits and are ready to commit to joint and several liability obligations. This feature needs to be incorporated into the design of future rural credit programs.

The fundamental problem with the CARE and other credit programs that extend modest loans to clients is that they do not currently represent a cost effective way for USAID or other donors to finance rural agribusiness development. This could change if such programs were able to increase their number of loans, building on earlier successes with modest sums of money.

5.4.5 Programme de RJstructuration du MarchJ CJrJalier (PRMC)

Sponsors: USAID, CIDA, CFD, World Bank
Project Value: Size of credit component is not known
Start Date: 1986/87 season **Completion Date:** Not known

Objectives: Primarily a multidonor program supporting cereals subsector policy reform, PRMC also seeks to stimulate marketing of coarse grains and rice by providing short-term postharvest loans to VAs that buy from member producers for sale to urban wholesalers. PRMC also assists traders who buy cereals from producer groups.

Discussion: PRMC provided a credit line to BNDA and three commercial banks (BIM, BMCD, BDM), tied to 100 percent loan guarantees. The commercial banks finance private licensed cereals traders who buy from GIEs and supply urban wholesalers. BNDA finances VA cereals storage, warehouse construction, and the purchase of scales and processing equipment.

The PRMC credit line has been largely unused. Those loans that have been extended have been reimbursed, across all borrowers, at the unacceptably low rate of 65-70 percent, in large part because commercial banks exercised little caution in selecting borrowers because the banks knew that donors guaranteed repayment.

Conclusion: When donors (such as USAID) combine credit lines with loan guarantees, this usually leads to poor (lax) credit management and unsatisfactory loan repayment rates. Donors should pool financial and human resources to fund and manage small loans based on clearly stated objectives.

5.5 Agribusiness Organization: Compagnie Malienne pour le DJveloppement des Textiles

Because CMDT is the chief earner of foreign exchange for Mali, the parastatal has special status. It obtains most of the agribusiness credit, requiring 20 billion CFA

(US$40 million) per year.

Objectives: CMDT provides inputs (seed, agricultural chemicals, animal traction equipment) and input credit to producers, manages field production of cotton (and maize), trains producers, assembles the crop and pays producers, gins the cotton, and exports it to France. CMDT focuses on developing and strengthening the cotton subsector in Mali under attentive government and French (CFDT) management. CMDT also promotes food security and commercial maize production in high-potential agricultural zones. CMDT has also supported selected VAs in acquiring maize processing equipment.

Discussion: CMDT drives the Malian economy, with far-reaching consequences. For example, rental of transport vehicles becomes difficult and costly during the cotton buying campaign, when CMDT rents a large proportion of the national truck fleet. CMDT export of cotton to France provides significant government revenue and represents a high proportion of Mali's export revenue. Income from cotton is used by farmers and VAs to invest in semi-intensive livestock production and coarse grain processing equipment, as well as to meet household financial needs.

CMDT is a good example of how to run a parastatal organization, although it receives certain benefits and subsidies that private agribusinesses do not receive. CMDT obtains credit at a preferential rate and rents trucks at attractive rates, given its buying power and negotiating leverage. This situation results in part from the government being the major shareholder and the government's power to regulate the transport sector.

As a fully integrated agribusiness venture, CMDT exercises control over the entire subsector and each of its functions and stages. CMDT enforces its requirements with captive producer/sellers who have no alternative market outlet. Agribusiness finance is predominantly CMDT finance. This represents some risk in that cotton is a rainfed crop in a Sahelian country prone to drought, but the risk is lowered by restricting cotton cultivation to wetter production zones in southern Mali.

Conclusion: While successful promotion of cotton subsector development by CMDT leads to increasing smallholder incomes, the preferences accorded to CMDT cause such promotion to crowd out private sector agribusiness firms that need finance. The crowding out effect could be minimized either by relaxation of government preferences or by donor support, particularly to the livestock and horticultural sectors. Given the lackluster performance of commercial banks in using earmarked funds (in credit lines where repayment of principal has been guaranteed by donors), donor financing through projects (such as USAID's APEX and DHV) or through an Agribusiness Service Center could be an innovative way to provide an integrated support package for production, postharvest handling , and export marketing management support to SMEs.

5.6 Lessons Learned and Implications for USAID

5.6.1 Non-Traditional Agricultural Export Development

Lessons Learned:

Agricultural exports from Mali are important. Substantial numbers of live animals are exported each year to neighboring countries; rice and coarse grain exports are modest, but received a boost from CFA devaluation; and small tonnages of vegetables (a non-traditional export) are also exported to Europe, despite production, transportation, and marketing constraints. Constraints and bottlenecks at all stages of NTAE subsectors limit the ability to attract and retain EU importers who will contract for firm delivery dates of products of an established quality. A lack of forward deliverable contracts and orders condemns exporters to the more risky and less profitable consignment or spot deals.

All NTAEs, as well as traditional exports (except cotton), share one common characteristic, **very limited export credit facilities.** This lack of financing is a result of bankers' lack of confidence in the informal production, transportation, and marketing systems that characterize these subsectors. As long as this informal structure remains, the development of agricultural exports will be slow, and NTAEs will have to be self-funded by exporters. In addition to an absence of export finance, capital investments by NTAE firms will most likely be self-financed, as some products (e.g., chilled and frozen red meat) have an unproven commercial viability.

Implications:

NTAEs such as off-season vegetables and fruits such as mangoes will most likely increase in the future. AMELEF is making itself known to the government of Mali and to banks. There is one refrigerated facility at the Bamako airport, and exporters are reportedly making progress with respect to the distribution of their produce in Europe. One exporter recently obtained a modest export financing loan. Experience in Senegal suggests that within five to seven years, production and marketing systems can be upgraded and restructured at a relatively low cost.

The outlook for exports of meat product and tanned leather NTAEs is different from that for live animals and raw hides. Switching from the export of live animals to fresh and frozen carcasses and tanned leather will require substantial investment in abattoirs, cold storage facilities, and refrigerated trucks, and will require some time. The APEX project lacks a finance component. The development of meat products may be contemplated at best within the medium term (five to seven years). After these facilities are in place, and assuming that countries such as Ghana and the C^te d:Ivoire will continue to import livestock products from Mali, export credit may help further develop such exports.

5.6.2 Association Development

Lessons Learned:

- The absence of an active NTAE private sector with well-defined self-interests and business plans inhibits the growth and development of business and trade associations.

- Given the opportunity, like-minded interest groups will begin to form and seek ways to advance their common self-interest. Such interest groups have difficulty, however, when faced with decisions regarding the organizational mode of development and the provision of services.

- To advance beyond the conceptual step of joining together, associations must be able to identify and provide services that have value to the collective membership.

Implications for USAID:

- Agribusiness associations cannot create or develop enterprises nor provide the finance that many members are seeking. They can provide support to enterprise and industries through the identification and development of clients and markets, the acquisition of technical support for production, postharvest handling, shipping, storage, processing, and the professionalization of management that helps to qualify the enterprise as a bankable project.
- As part of a subsector development and promotion strategy, the development of agribusiness associations may be an effective way to provide cost-effective technical assistance and help to achieve sustainable enterprise development. If successful, a trade association will continue to promote a subsector or industry

long after project assistance ends.

5.6.3 Small and Medium Enterprise Development

Lessons Learned:

The cotton subsector, which is controlled by the Malian government is fully integrated. The growing, ginning, oil extraction, and export components are closely interlinked and assisted with short-term credit facilities. Following the disengagement of the GoM from the rice subsector, its integrated structure is changing, as private sector operators emerge in the processing and distribution of rice. Other small examples of integrated agriculture are found in the CARE-sponsored and -financed cereal banks in the Timbuctu area, and in the storage and processing of cereals by VAs participating in the PRMC program. CARE has succeeded in integrating cereal production and marketing at the village level by offering short-term loans for cereals storage. Financial services to SMEs are virtually nil, as these enterprises finance their own establishment and expansion.

Implications:

The risk of lending will increase as loans are extended to smaller entities, as will loan processing and monitoring costs. But overall returns on a loan portfolio may increase due to better management and private incentives to perform (as opposed to parastatal disincentives). In view of the limited integration of agribusiness in Mali outside of the cotton subsector, there exist opportunities to encourage and support integrated activities. In addition to cereal banks and processing at the level of VAs, other opportunities may be identified. The most obvious would focus on the storage and processing of groundnuts in small oil mills and on livestock and animal fattening. Such activities could be supported by targeted credit facilities similar to those offered by CARE. The design and implementation of integrated agricultural activities should be based on the training of VA members in the benefits of integrated agriculture, gaining their full commitment to this new approach.

5.6.4 Financial Services

Lessons Learned:

- Agribusiness financial services offered by BNDA and commercial banks have been excessively oriented to the short- and medium-term credit needs of large parastatals.

- Agribusiness financial services available through BNDA to agricultural groups such as VAs and GIEs include input, postharvest, and some medium-term credit. The results of postharvest credit to cereals traders through the PRMC credit line have been disappointing in terms of outreach and loan recovery due to the lax management of the donor credit lines by BNDA and commercial banks.

- The very modest CARE-sponsored credit program has obtained excellent results with postharvest credit for cereal banks in the Timbuctu area, reflecting CARE's excellent management.

- BNDA and commercial banks have neglected the cereals subsector and are not providing significant export credit facilities for vegetables and livestock/meat exports.

- Savings mobilization by financial intermediaries is growing steadily.

Implications:

- BNDA needs to strengthen its operating procedures and redefine its financing services to GIEs and other groups involved in the production, processing, and marketing of agricultural products while it continues to finance CMDT.

- Commercial banks must find ways to use their excess liquidity through portfolio and services diversification. Donor loan guarantees for lending programs to SMEs, VAs, GIEs, and other groups are not recommended.

- Vegetable and livestock producers' and exporters' associations must interact with bankers, who need to hear their views on the restructuring of their operations so that financial institutions can become involved in the financing of such exports.

- Savings mobilization must be pursued more aggressively in all parts of the country by BNDA and savings and loan associations in order to promote savings-sourced credit in outlying regions.

5.6.5 Monitoring and Evaluation

Lessons Learned:

The field work was not focused on M&E measures or systems in Mali. In the area of financial services, standard commercial bank loan portfolio performance monitoring criteria are limited to conventional financial measures. While this provides an overview of the financial performance and profitability of the bank, it tells one nothing about how individual agribusinesses which receive loans are performing and what factors underlie poor or late loan repayment by clients.

Implications for USAID:

If donors provide finance to agribusiness SMEs, they need to first hire (or retrain) loan officers who have enough business background to accurately evaluate prospective loan recipients on the basis of the current and likely profitability of their businesses. A loan officer=s ability to evaluate a business= capacity to generate sufficient cash flow to meet operating expenses and to repay principal and interest is critically important in assessing a borrower=s creditworthiness. Loan officers also need to be able to track the business and financial performance of borrowers who become delinquent in repaying loans so as to advise them on how to make needed changes to return the business to profitability and meet loan payments. USAID and other donors can provide funding for training and TA to educate (and re-educate) selected loan officers at the more promising financial institutions. Commercial and development banks will not set in place elaborate M&E systems for tracking individual borrower business operations. Trained staff need, however, to be able to spot difficulties and move quickly to advise troubled firms/borrowers.

5.6.6 Other Observations and Implications

Mali, a Sahelian country with a relatively small population of 8.5 million people, is best characterized by its emergence in 1991 from an authoritarian and socialist regime that dominated the post-independence period. Only since 1991 has political and economic liberalization taken hold, which accounts for the poorly developed and immature level of Malian association development and private commercial agriculture. The economy is dominated by agriculture, which contributes more than 50 percent of GDP and employs more than 80 percent of the population. However, Mali has not developed its potential for non-traditional agricultural exports. Malian agriculture is based on cotton, rice, and livestock. Cotton alone accounts for more than 50 percent of agricultural export earnings, and the subsector is completely controlled by the state. Livestock account for another 28 percent, with rice and other cereals comprising most of the balance.

With the end of the Moussa TraorJ regime in 1991, Mali embarked on a structural adjustment and liberalization program that has captured the attention of the World Bank and international donors by virtue of its early successes. While the subsectors remain immature, agribusiness development of NTAEs and the growth of exporters and associations have begun. In addition to the traditional regional exports of livestock and selected fruit and vegetable exports to Europe, the export of fresh and frozen meat is being contemplated. Refrigeration facilities have been built as horticultural exports have attracted considerable attention. However, NTAEs remain severely constrained by the following conditions:

1. **The excessive state dominance of the political and economic systems by the TraorJ regime limited the development of entrepreneurs, capital, business systems and services, and business administration skills.** Foreign direct investment was negligible until 1992. Barriers to entry for business have been high; only the trade and transport sectors have relative ease of entry. The role of transportation in the livestock sector is an interesting case study, revealing that transporters constrain development by seeking loads that are more profitable than livestock. Therefore, transport capacity is withdrawn from the livestock trade and allocated to other sectors.

2. **The economy is dominated by commodity exports with a minimum of value-added processing occurring in Mali.** The old regime was content to take profits on the export of cotton with little reinvestment in infrastructure. The subsequent lack of skills, infrastructure, and business services hinders further economic development. The quality of products is low and drives the search for low-end markets. Malian exports lose market share because of competition from other countries with better quality products and whose exporters are more reliable shippers.

3. **Transportation, communication, business services, and export services are poorly developed or unavailable.** There is no direct road link to Senegal, which represents a potential market for the livestock and meat industry. The rail link to Senegal is unreliable; the voyage to Dakar is slow and long, departures are irregular, and rolling stock is of poor quality. Air Afrique has a monopoly on air cargo services from the international airport in Bamako, and it lacks sufficient space and handling facilities to meet demand. Regional and international communications remain unreliable.

4. **Human resource development in Mali is poor.** In addition to a low level of entrepreneurial and managerial skills, Mali has a very low literacy rate of between 25 and 30 percent, among the lowest in Africa. Low literacy and numeracy levels adversely affect all aspects of commercial agricultural development and economic growth.

5.6.7 Key Issues

The **key challenges** associated with the restructuring of Malian agriculture are as follows:

1. Revival of the cereals subsector

2. Continued progress of rice production and exports

3. Modernization of the livestock industry to generate value-added products such as carcasses and leather, and the export of such products

4. Diversification into the production and export of new products such as off-season vegetables and fruits

This restructuring must be accompanied with human resources training, a close integration of production, processing, and marketing systems, and the modernization of infrastructure and farming methods. Last but not least, agribusiness credit services must be responsive to the above mentioned challenges.

6. SENEGAL

6.1 Entities Selected for Study

While USAID/Senegal has increased liberalization of the market as a strategic objective, the Mission is not actively engaged in promoting agribusiness development, particularly association development and agribusiness finance. The projects, associations, and financial institutions discussed below have a marginal and tenuous link to the agribusiness system.

Projects: (with supporting donor in parentheses)

KAED - Kaolack Agricultural Enterprise Development Project (USAID)
PSFP - Private Sector Foundation Project (World Bank)

Associations:

CCIA - Chambre de Commerce, d'Industrie et d'Agriculture de la RJgion de Dakar
GEPAS - Groupement des Exportateurs des Produits Agricoles du SJnJgal
ASEPAS - Association des Exportateurs des Produits Agricoles du SJnJgal

Development Finance Organizations:

CNCAS - Caisse Nationale de CrJdit Agricole du SJnJgal (CIDA, IFAD, ADB, FED)
ACEP - Agence de CrJdit pour l'Entreprise PrivJe (USAID, CIDA, government)
- CPEC-CICM - Caisses Populaires d'Ipargne et de CrJdit du Centre International du CrJdit Mutuel (FAC for technical assistance; CFD)
- CS/CAPEC/LG - ComitJ Consultatif des Caisses d'Ipargne et de CrJdit de la RJgion de Louga (ADF of ADB; International Foundation for Development)
- CEC/CCR/PEGF - Caisse d'Ipargne et de CrJdit/Caisse de CrJdit Revolving/Projet de Promotion Iconomique des Groupements FJminins (UNCDF, Netherlands, UNDP, government of Senegal)

SENCHIM Pilot Project (government, CNCAS)

SEINVEST - SociJtJ FinanciPre SEINVEST (CDAO, BEI)

6.2 Findings on Projects

6.2.1 Kaolack Agricultural Enterprise Development Project (KAED)

Sponsor:	USAID	**Project Value:**	$8 million
Start Date:	September 1992	**Completion Date:**	September 1997

Principal Agribusiness-Related Objectives: The main objectives of the KAED project are to (1) establish 72 demonstration fields for training in agricultural practices leading to effective natural resource management; (2) provide small, integrated, agriculture-based enterprises (ABE) with access to financial services; and (3) provide training in agricultural production, management, and private enterprise development.

Discussion: USAID has chosen one of the most difficult agricultural regions in Senegal to increase incomes and productivity. The project provides selected profit-seeking farmer groups (GIEs) with technical and basic management training as well as access to credit. Based on the experience of micro-enterprise credit in several African countries, the training of borrowers, as it pertains to loan reimbursement and business management, has proven to be a useful adjunct to the extension and recovery of loans. GIEs are also assisted by Africare in identifying integrated agricultural development opportunities, entering into guarantee agreements with CNCAS and ACEP (a small enterprise savings and loan institution), and preparing business plans to capitalize on opportunities such as cereal and groundnut production, livestock fattening, cereal banks and storage facilities, and dehulling and milling equipment. Africare does not extend credit directly. Loans of up to 24 months are extended to eligible GIEs by CNCAS or ACEP on the basis of joint and several guarantees and other forms of security interest as needed.

The purpose of KAED is to create 72 ABEs. Of the 36 ABEs identified to date, only 7 (3 animal fattening operations, 2 vegetable gardens/fruit tree nursery, and 1 cereal bank) are operational and 2 have received loans. Nevertheless, KAED management anticipates that 22 loans will be extended in 1995.

Impact: A midterm evaluation is expected in the fourth quarter of 1995. The surveys, training, demonstration fields, and infrastructure development programs are on schedule. Yet, delays have been observed in well construction and the start of the credit program. The delay in the start of the credit program has resulted in only two disbursements totaling 8,000,000 FCFA (US$16,000) to date.

To a large extent, success of the KAED project and the sustainability of the activities assisted by the project will be contingent on the climatic conditions in the Kaolack region, where rainfall varies widely from year to year. Wells in the region have a limited flow, and the relative scarcity of water is a major constraint for agricultural diversification such as vegetable production. Although KAED is introducing a new type of pump at the producer level, it remains to be seen if this effort will be successful.

Measure of Success: In the absence of detailed data, it is too early to determine the success or shortcomings of KAED. To date, the project has been in operation for 20 months and 20 percent of the project funds have been spent on infrastructure development and training. Results of these efforts are visible. However, the start of the credit program is behind schedule. The reimbursement of the first two loans (disbursed by CNCAS) extended in the first quarter of 1995, scheduled for the end of November, should be watched carefully. For the balance of the project, loan reimbursement will be a good indicator of the success of KAED. In the long-term, the best indicator will be the profitability and sustainability of the ABE activities assisted by KAED.

Conclusion: The KAED approach, which integrates agricultural development, farmer training, privately owned ABE promotion, and the guarantee of loans is comprehensive. At the same time, it is expensive and bears the risk of honoring guarantees for bad loans. Based on experience from projects that provided credit to microenterprises, the agricultural development and training components may be reduced or eliminated in the design of future projects. Future projects would provide basic business management training as well as financial intermediation services (savings and credit) to GIEs in agricultural and urban areas of Senegal. In this fashion, it would be possible to create a viable financial institution based on a clientele of sustainable enterprises .

6.2.2 Private Sector Foundation Project (PSFP)

Proposed as a 1996 start-up by the World Bank, the PSFP will complement the economic liberalization program of the Government of Senegal (GoS). It will fund training, survey, and research activities by existing business and trade associations in Senegal. PSFP does not plan to provide organizational or technical assistance to an association based on agribusiness or NTAE enterprises.

6.3 Findings on Association Development

6.3.1 Chambre de Commerce, d'Industrie et d'Agriculture de la RJgion de Dakar (CCIA)

Sponsor: Formal industry and government
Budget: Unavailable. 30 percent government funds; 70 percent self-financed. Some French support for training in administration and management.
Membership: Most formal commercial enterprises in Senegal are registered, but few are active. Commercial trading and import-export businesses dominate.
Start Date: 1864

Principal Objectives: The CCIA represents the general interests of enterprises and participates in the economic and social development of the region around Dakar.

Discussion: Agriculture is not a high priority of the CCIA. There is considerable involvement with foreign enterprises. The CCIA sponsors several trade shows for importers and exporters.

Impact: The CCIA is regarded as having a weak grounding in the private sector and limited effectiveness in representing the private sector to the GoS. It is in fact often identified as an office of the state in an economic environment long dominated by parastatals.

Conclusion: USAID and other donors interested in agribusiness development, particularly in promoting SMEs and NTAEs, have no reason to work with CCIA.

6.3.2 Other Associations

The following four business associations were profiled, but they had little activity in support of agribusiness, despite some agribusiness firm membership:

$ CNES - ConfJdJration Nationale des Employeurs du SJnJgal
$ CNP - Conseil National du Patronat du SJnJgal
$ UNACOIS - Union Nationale des CommerHants et Industries du SJnJgal
$ SPIDS - Syndicat Professionnel des Industries du SJnJgal

CNES and CNP receive marginal foreign assistance for training seminars. All four associations have membership that cuts across economic sectors, and all associations except UNACOIS represent large-scale (by Senegalese standards), formal private sector firms. UNACOIS claims more than 70,000 SME members; its objective is to move traders into "productive enterprises," especially value-added processing of agricultural products. A general weakness among these business associations is limited operating funds for promotional activities. All of these organizations represent their members to the GoS. Whether they lobby effectively is unknown.

6.3.3 Groupement des Exportateurs des Produits Agricoles du SJnJgal (GEPAS) and Association des Exportateurs des Produits Agricoles du SJnJgal (ASEPAS)

These two export-oriented associations represent two competing groups of horticultural exporters, who compete for limited airfreight space provided largely by Air Afrique. GEPAS represents mainly "African" exporters plus one of the major Lebanese exporters, while ASEPAS represents mainly Lebanese horticultural producer/exporters.

6.3.4 Other Associations Not Contacted

Five other agribusiness-related associations were identified, including the following:

1. Syndicat des Produits du Cru (SYNOP). This grower=s association no longer maintains an office but is reported to have an active membership. A grower, Mr. Karamoko Ndiaye, acts as president.

2. Groupement Interprofessionnel des Mareyeurs Exportateurs du SJnJgal (GIMES). The operational status of this association of fishermen is unknown.

3. FJdJration des Producteurs Maraichers de la Zone des Niayes. This association of truck farmers is located outside Dakar; its operational status is unknown.

4. Groupement Communautaire Sectoriel des Produits du Cru de L=Afrique de L=Ouest. This association has a post office box, but its operational status is unknown.

5. FJdJration Nationale des Groupements Economiques des Produits du Cru du SJnJgal.

6.4 Findings on Development Finance Organizations

6.4.1 Caisse Nationale de CrJdit Agricole du SJnJgal (CNCAS)

Objectives: Mobilize savings and make credit facilities available to the agricultural sector to:

$ Facilitate the growth of the agricultural sector and ensure food security,

$ Assist the GoS in the financing of all the activities involved in the production, processing, and marketing of the rice and groundnut crops controlled by parastatals,

$ Assist the GoS in implementing a donor-sponsored program of agricultural sector adjustment based on market prices for the main agricultural products such as rice and groundnuts,

$ Stimulate agricultural producer groups and village associations with input and production credit,

$ Assist agricultural diversification and generate export earnings through development of horticulture and fisheries, and

$ Generate a profit from operations and ensure the long-term viability of CNCAS.

Discussion: Heavily underwritten by donors, CNCAS is essentially a short-term credit institution (90 percent of total) and the major credit-granting institution to the agricultural sector. It focuses on input and production credit, but also provides credit for marketing and processing of rice and groundnuts through a CNCAS-sponsored consortium of all major commercial banks in Senegal. Six percent of the credit is medium-term (one to seven years) for equipment, pumps, and motors used in agriculture and fishing. There is no long-term credit for agricultural production.

CNCAS has been innovative in minor ways. It finances the importation of bags for such crops as onions. CNCAS loans are exempt from the 17 percent tax on interest. CNCAS has proceeded cautiously into the financing of new activities such as horticulture and fisheries. As the GoS withdraws from the processing and marketing of rice and groundnuts, CNCAS will be compelled to rethink its modus operandi and adapt to the new environment. Previously, input and production credit were linked to processing credit to parastatals and the marketing was in the hands of the *Caisse de PerJquation*. From now on, the reimbursement of agricultural production credit will be linked to credit to eligible private millers for the purchase of paddy, and the reimbursement of the processing credit will be linked to the sale of milled rice to private wholesalers. Producer sales revenue coming from millers, and miller revenue coming from wholesalers, will be assigned directly to CNCAS.

Performance: The use of financial performance indicators by bank management and donors remains unclear. CNCAS has not shown a profit for several years and loan reimbursement has been a major problem. Loan recovery has been a problem in all regions of the country, for both rainfed and irrigated agriculture. In 1994, CNCAS had an operating loss of 704,794,612 CFA francs (US$1.41 million) as a result of the posting of a bad loan provision of 2,024,429,167 CFA (US$4.048 million) or 21 percent of outstanding loans. Doubtful loans accounted for 35 percent of the loan portfolio.

A key factor in the economic environment of Senegal that affects the operating results of the bank, but over which the management of the CNCAS has no control, is the privatization of the rice subsector and the liberalization of rice prices. A continuing strategic response is required but the operating environment remains undefined. The devaluation of the FCFA has also had mixed effects on CNCAS operations. The groundnut and cotton subsectors have benefited from the devaluation, but the rice subsector is facing a difficult time, which has resulted in the non-reimbursement of the bank consortium=s loans. The major objective for the management and staff will continue to be the improvement of the financial condition of CNCAS.

Another factor beyond CNCAS control is the setting of interest rates by the Central Bank of West African States (BCEAO). In 1994, the maximum interest rate was 15 percent, well below the rate of inflation in a year of CFA devaluation and significant increases in domestic prices. This contributed to the large operating loss posted by CNCAS.

Impact: The performance of CNCAS measured against stated objectives has been mixed. Although deposits have grown rapidly, savings mobilization is still modest. Forty-five percent of all deposits are site deposits. The balance of 55 percent is accounted for in large part by counterpart and other public funds. Individual term deposits represent only 25 percent of all deposits. This means that there is still ample room for individual savings accounts. The contribution of CNCAS to the growth of Senegalese agriculture and food self- sufficiency in rice has not been visible. Over the past ten years, agriculture has been stagnant and the official output of groundnuts has been declining due to low domestic prices, which have resulted in significant Aleaks@ toward neighboring countries. Thus, CNCAS has financed the status quo of agricultural production. CNCAS has not become a sustainable financial intermediary. It is undercapitalized and kept afloat by low-interest credit lines made available by international donors. CNCAS is an important instrument of the GoS in the implementation of the restructuring of the agricultural sector and in supporting the gradual transition toward a free market agriculture.

In reviewing the performance of CNCAS, it is apparent that the entire system of credit analysis, loan monitoring, and loan collection is not working. CNCAS managers are aware of the problem and trying to improve the rate of loan recovery through closer monitoring of borrowers, but changes will also be required with respect to loan analysis and approval, and procedures to perfect security interest.

New Agribusiness Opportunities: Since its inception, CNCAS has primarily financed the groundnut and rice subsectors that were controlled by the GoS, and all the resources of the bank were marshaled to achieve this task. Thus, new business opportunities outside these two subsectors were neglected. There is one exception, however, CNCAS=s involvement in the financing of private fruit and vegetable grower/exporters.. CNCAS was instrumental in the start-up of the leading fruit and vegetable grower in the country and has been helping another horticultural grower/exporter.

Lessons Learned: The main lesson from the CNCAS experience is that subordinating the activity of the bank to GoS involvement in rice and groundnut production, processing, and marketing, and thereby politicizing the credit process, has been detrimental to the operations of the bank. Diversification efforts have been limited.

CNCAS staff are generally not motivated and many are redundant. Financial results have been disappointing. In many ways, CNCAS illustrates what should not be done with respect to an agricultural credit delivery institution.

Conclusion: It is unlikely that USAID would provide technical assistance and/or a credit line to CNCAS. Even if counterpart funds are released to the GoS for the benefit of CNCAS, it should be agreed that such a line of credit would only be used for diversification crops or new activities such as refrigerated storage for onions and potatoes and for loans to qualified private agribusiness entrepreneurs. Even so, unless USAID would be willing to monitor the use of this credit line very closely, expectations about loan recovery should not be high.

6.4.2 Agence de CrJdit pour l'Entreprise PrivJe (ACEP)

Sponsor: USAID until 1993; taken over by CIDA, which provides technical assistance and resources for the loan fund. TA will be provided for two years. The GoS has been funding the expansion of ACEP operations to the Casamance area.
Locations: Dakar HQ and 22 branch offices in the central and southern parts of the country
Creation: 1986
Scope of Operations: as of the end of 1994 (see Table 6.1)

Table 6.1
ACEP Financial Profile

	FCFA, (unless noted otherwise)	**US$**
Number of loans (cumulative)	8,200	
Loans disbursed (cumulative) US$	7,000,000,000	14,000,000
Total assets	954,841,060	3,909,682
Total capital	1,731,163,473	3,462,946
Net profit	116,283,877	232,567
Provision for bad loans (1.48 percent of outstanding loans)	21,428,629	42,857
Return on assets	5. 9 percent	
Return on equity	6.7 percent	

Since CIDA has been sponsoring ACEP, ACEP has evolved from a lender providing credit to established small entrepreneurs into a mutual savings and loan association owned by its depositor members. ACDI has contracted with Caisses Populaires Desjardins (Desjardins), a leading mutual savings and loan association in Montreal, for the management of ACEP.

Objectives: ACEP aims to provide savings and credit services to Senegalese entrepreneurs to assist them in the growth of their business by developing a range of profitable services and managing its activities in accordance with the principles of solidarity, accountability of individuals, and group responsibility.

Discussion: Although mutual savings and credit institutions are not new in Senegal, ACEP is an innovator with respect to savings mobilization. In addition to mobilizing individual savings, ACEP has developed two savings services that are responsive to the financial needs of small entrepreneurs. The first, entrepreneur savings, is geared to the entrepreneur who is seeking to accumulate savings and reimburse his loan at the same time. The second, project savings, facilitates the creation of a business by enabling a potential entrepreneur to save so that he can subsequently obtain a loan.

ACEP has long been an innovator in targeting its clientele of small individual entrepreneurs and managing its credit activities in a professional manner. The staff has an intimate knowledge of borrowers and carefully perfects its security interest rights as a creditor. Loans are monitored closely. The net result is a remarkable loan recovery rate of 99 percent.

Performance: Despite the economic slowdown in Senegal and the devaluation of the CFA in 1994, the financial performance of ACEP has steadily improved. Net profit, excluding the cost of technical assistance and the cost of capital, averaged $270,870 from 1992 to 1994. The reason for this good performance are the fast expansion of loans (544 million FCFA or US$1,088,888 in 1994), the increasing size of average loans (800,000 FCFA in 1994 versus 750,000 FCFA in 1993), and high interest rates of 18 percent per year on a non-declining balance, which provide adequate protection against rates of inflation in Senegal. Additionally, ACEP charges a loan initiation fee of 1 percent. Accounts receivable loans are subject to a 3-percent fee to cover the additional risks involved.

Impact: In addition to successful financial performance, ACEP is extending its outreach to small entrepreneurs in search of business expansion loans. Since the inception of the project, ACEP has disbursed 8,200 loans to entrepreneurs in services, manufacturing, agriculture, and trade. Loans to entrepreneurs in the agricultural sector account for 20 percent of the total, or 1,640 loans. Additionally, ACEP is extending its geographic coverage to the Senegal River valley. Finally, ACEP maintains a good relationship with its clients; 50 percent are repeat borrowers.

The overall picture combining profitability, growth, expanded loan activity, customer confidence, and geographic coverage is that of a dynamic and successful financial institution. To date, ACEP has concentrated its credit activities around existing business enterprises and has assisted their expansion. This has been a deliberate credit policy aimed at minimizing risks. At the same time, ACEP loans are instrumental in creating new jobs. The 1,500 loans that were disbursed in 1994 are expected to generate 1,300 new jobs.

Lessons Learned: The factors that led to the successful experience of ACEP under the combined sponsorship of USAID and CIDA are as follows:

$Effective tarageting of clients in serveral sectors of the economy can be achieved when credit activities are well managed.
$High loan recovery rates can be achieved when the average loan size is not a burden on the operating costs of the lender.
$Interest rates must be commensurate with operating costs, including adequate provision for bad loans (and inflation).
$Professional management of the credit process (analysis, approval, monitoring, loan collection) is essential to insure success of the program.
$Quality TA and qualified, motivated staff dedicated to achieving operating self-sufficiency are essential for success.

Conclusion: Although USAID ended its involvement in ACEP in 1993, the valuable experience gained in this project through innovative methods of savings mobilization and client targeting should be applied to other countries and projects having similar financial structure characteristics. Rather than focusing exclusively on credit to the agricultural sector, credit services provided by ACEP were based on a broad diversification of credit and industry risks. At the same time, the project made a significant number of loans to agriculture-based enterprises.

Initially, ACEP services were limited to credit delivery. After 1993, ACEP opted for a mutual savings and loan association organization and introduced savings services. ACEP will now offer a complete range of intermediation services to its members. Financial services that are limited to credit delivery alone are less effective than those that combine savings with credit and offer a complete range of intermediation services.

It is important to note the results obtained during the first phase of the ACEP are making it possible for *Desjardins* to broaden the scope of ACEP services. USAID decided that the project had become self-sustaining and therefore did not need further support. Donors should withdraw support to projects when a certain level of sustainability is achieved so as to allow projects to mature and continue toward full sustainability. USAID can point with legitimate pride to the achievements of ACEP accomplished while USAID supported the project.

6.4.3 Caisses Populaires d'Ipargne et de CrJdit du Centre International du CrJdit Mutuel (CPEC-CICM)

Sponsors: Fonds d꞉Aide et de CoopJration (FAC) covers the cost of 4 expatriate technical assistance personnel, CFD (Caisse FranHaise de DJveloppement) provides 9,000,000 FF (US$1.8 million), and CrJdit Mutuel contributes 300,000 FF (US$60,000).
Locations: The headquarters is at Thies, and four regional offices supervise 41 associations in the central and southern regions of the country.
Creation: 1988 **Completion Date**: NA
Scope of operations: as of the end of 1993 (see Table 6.2)

Table 6.2
CPEC-CICM Financial Profile

	FCFA (unless noted otherwise)	US$
Number of members	13,114	
Volume of deposits	331,970,813	1,327,000
Volume of deposits in 1994	700,000,000	2,800,000
Outstanding loan volume	230,801,489	934,205
Number of outstanding loans	3,550	
Loans disbursed (cumulative)	1,130,000,000	
Number of loans disbursed (cumulative)	14,400	

CrJdit Mutuel (CM) is the largest mutual savings and loan association in the world. Since its creation in the latter part of the 19th century, it has become the fifth largest financial institution in France. CICM is established in five African countries; its goal is to create autonomous federations of savings and loan associations in each country.

Objectives: The objectives of CPEC-CICM are as follows:

$Provide coverage to the entire country with mutual savings and loan associations by 1997.
$Mobilize savings prior to credit extension.
$Offer banking services to the entire population (urban and rural).
$Target small farmers, artisans, merchants and wage earners.
$Reach profitability and create a federation of associations by the year 2000.

Discussion: CPEC-CICM is following the traditional pattern of operations developed by CM, a new pattern in Senegal. It consists of establishing mutual savings and loan Associations (MSLAs) at the local level (urban district or village). The minimum number of members required for one MSLA is 200, who must each make an initial deposit of 6,500 FCFA (US$13) including a membership fee, the purchase of one share of capital, and a minimum saving amount of 2,000 FCFA (US$8). Members are free to make deposits and may be entitled to obtain a short-term loan equal to twice their savings provided that the last deposit is made 45 days prior to the date of the loan application. Borrowers are required to provide some of their savings funds as a partial guarantee. Borrowers who use their account with their local MSLA frequently and handle the flow of their funds through their MSLA are favored. The normal rate of interest is 24 percent per annum. CPEC-CICM also requires a 2 percent loan management fee and a 2.5 percent guarantee fee.

MSLAs cannot loan more than 50 percent of their deposits. Each MSLA is managed by a board of directors, who are unpaid and elected by members in conformity with the rules and regulations determined by headquarters. The board acts as a traditional loan committee. MSLAs that do not have a satisfactory loan reimbursement rate are prevented from making additional loans.

MSLAs are an integral part of local communities, and each MSLA is an independent legal entity. The staff consists of one salaried employee, who is responsible for the implementation of the decisions made by the board of directors. Members are invited to be actively involved in the affairs of their MSLA and to monitor its activities. MSLAs are housed in spartan buildings with minimum equipment. All loan records are kept on a computer at the headquarters in Thies, Senegal.

CPEC-CICM benefits from a rate of interest that exceeds the usury rate (15 percent) as defined by the West African Central Bank. CPEC-CICM is currently attempting to resist political pressures to lower its interest rate. At the same time, it is participating actively in PARMEC for the definition and negotiation with the Central Bank of prudential ratios and other types of controls applicable to the mutual savings and loan industry in Senegal.

Performance: CPEC-CICM's outreach, as measured by its rate of penetration into the local communities where the associations are located, ranges from 3 to 15 percent of households. Although results to date represent a worthy achievement, the outreach of existing associations can be improved and the addition of new associations in the Senegal River valley will add to the existing membership. Savings mobilization to date has been fairly successful. The ceiling imposed by CPEC-CICM on the MSLAs' loans (cannot exceed 50 percent of savings) has been a constraint to the growth of credit activities despite an excellent rate of reimbursement (98.7 percent) and an enviable rate of repeat borrowers (50 percent). Cumulative loans disbursed as of December 31, 1993 were only 1,130,000,000 FCFA (US$4.5 million) as compared with 5,500,000,000 FCFA (US$22 million) in the case of ACEP, or five times larger. In 1993, the coverage of operating expenses (excluding technical assistance and capital costs) by revenues was 56 percent. According to the management of CPEC-CICM, a break even situation will be reached in 1998 and operations should yield a profit after 1999. The technical assistance team will be gradually phased out between 1998 and 2000, when CPEC-CICM will be replaced by CrJdit Mutuel du SJnJgal (CMS).

Impact: Seventy percent of the loans have been directed to the agriculture sector and used for the purchase of inputs and the acquisition of animals and animal traction equipment. These loans have been made to existing agricultural producers. Moreover, the small size of loans, averaging 70,000 FCFA (US$140), is not sufficient to enable artisans and other small or micro entrepreneurs to start a new business activity.

Lessons Learned: CPEC-CICM has been proceeding very prudently, perhaps too prudently. The initial emphasis on savings mobilization had to be modified and credit extension was used to encourage savings. Yet CPEC=s loan portfolio has been growing very slowly. CPEC-CICM=s basic premise is to first build deposits and then make small-size loans. In Senegal, this approach has resulted in moderate savings, a low level of loans, and unprofitable operations to date. By comparison, ACEP extended more loans (and a higher CFA value of loans) from the start and built a much more substantial portfolio over a comparable period of time. ACEP loans have been yielding good returns over the past three years, and it now seeks to mobilize savings. The ACEP route has brought faster results.

Conclusion: Credit Mutuel=s experience in mobilizing savings in Africa is substantial. Over the years, CM has developed a number of local MSLAs, regional groups of MSLAs, and a national federation of savings and loan associations. CM has also succeeded in involving members in the monitoring and management of local MSLAs. This involvement results in higher participation by MSLA members in the growth of their community. CM=s methodical approach to savings mobilization in urban and rural areas represents a sound model to adapt to future financial services projects.

A more intensive use of the savings resources for extending loans is needed. The 50-percent rate of utilization of savings and deposits at the MSLA level corresponds to a seasonal peak (i.e., just prior to and during the growing season) rather than a year-round average for the financing of agricultural inputs. However, few loans are made during the other months of the year. Using an annual average would make more credit funds available. CPEC-CICM must develop other types of credit such as short-term loans to artisans and revolving loans to merchants.

6.4.4 ComitJ Consultatif des Caisses Populaires d'Ipargne et de CrJdit de la RJgion de Louga (CS/CAPEC/LG)

Sponsors: The African Development Fund of BAD (grant of 39,939,100 FCFA, or US$79,878) and administrative support by the International Foundation for Development (IFD).

Headquarters: Louga

Start Date: 1993 **Completion Date:** NA

Scope of operations: as of 1993 (see Table 6.3)

Table 6.3
CS/CAPEC/LG Financial Profile

	FCFA (unless noted otherwise)	US$
Number of associations	10	
Number of members	1160	
Deposits	19,451,500	77,806
Outstanding loans	47,286,480	189,145
Number of outstanding loans	3,118	
Average loan size	15,166	61
Interest rate	2 percent per month	
Reimbursement rate	97 percent	

Objectives: The objectives of the CS/CAPEC/LG are to (1) upgrade and strengthen village savings and credit associations; (2) provide management training to association representatives and members; (3) provide members with safe-keeping facilities for interest-bearing savings funds; (4) provide members with access to credit for the financing of new activities; and (5) stimulate investment in revenue-generating activities.

Discussion: The Advisory Committee of the Popular Savings and Loan Associations in the Louga region (CS/CAPEC/LG) supervises ten local women-sponsored associations. ADF has made a grant to the committee that will be used to strengthen savings mobilization and credit extension in ten villages around Louga. The committee is composed of twenty members (two for each association). The executive bureau, composed of the president, treasurer and secretary, manages the CS/CAPEG/LG bank account and is responsible for implementing the decisions made by the committee. The executive bureau also monitors training to associations, and the construction of buildings to be used by village associations. The executive bureau makes available to each association a revolving loan fund of 1,000,000 FCFA (US$4,000).

CS/CAPEG/LG was selected to illustrate the workings of savings and loan associations at the village level in a predominantly agricultural region. Savings mobilization takes place after crops are sold. Loans to small groups of women farmers are made to finance the purchase of inputs such as animals and animal feed, to women artisans and small merchants, and for the processing of crops. The committee monitors due dates and programs the reimbursement of these short-term loans (three to six months).

CS/CAPEC/LG is one of the few association networks with a coordinating body that offers technical assistance and training to village associations. However, credit decisions are made by the village associations. This combination of advisory activities at the central level and management initiative and responsibility at the village level seems to be well adapted to a regional group of local savings and loan associations.

Impact: CS/CAPEC/LG and its member associations have achieved an excellent market penetration in the villages they serve; membership represents 80 to 90 percent of the working population at the village level. The reimbursement rate is 97 percent, including loans that were made prior to the creation of the advisory committee. Most loans are reimbursed within one week of their due date. The small size of village associations makes it possible to monitor very closely the reimbursement of loans. Additionally, peer pressure is very effective within small communities.

Loans have been directed to the agricultural sector and used for the purchase of seeds, the acquisition and fattening of livestock, and trading activities. Generally, these loans are made to established agricultural producers and traders. Moreover, the small size of loans, averaging 15,000 FCFA (US$30), and their short maturity (three to six months) are not sufficient to enable borrowers to start a new business.

CS/CAPEC/LG is seriously undercapitalized relative to deposits (3.67 percent) and loans (1.51 percent). Moreover, the loan to deposit ratio of 2.47:1, which should not normally exceed 1:1, precludes any substantial expansion of credit activities. Thus, the growth and sustainability of CS/CAPEC/LG are contingent upon the availability of additional grants from donors.

Conclusion: The credit delivery and recovery procedures used by CS/CAPEC/LG are working well. They are based on a thorough knowledge of borrowers at the local level and the monitoring of loans= due dates at the advisory committee level.

6.4.5 Caisse d'Ipargne et de CrJdit/Caisse de CrJdit Revolving/Projet de Promotion Iconomique des Groupements FJminins (CEC/CCR/PEGF)

Sponsors:

United Nations Capital Development Fund US $ 2,034,203
Netherlands $1,375,261
UNDP $1,544,240
GoS (cash and in-kind) $1,910,139

Scope of operations: as of December 31, 1993 (see Table 6.4)

Table 6.4
CEC/CCR/PEGF Financial Profile

	FCFA (unless noted otherwise)	US$
Number of members	45,261	
Number of women groups	751	
Savings	135, 783,000	543,132
Loans (cumulative)	423	
	87,623,219	350,493
Outstanding loans	52	
	6,651,518	26,606
Rate of reimbursement	92%	
Credit fund	41,099,000	164,396
Exchange rate	250/US$	

PEGF provided credit to groups of small agricultural producers and covered every region in Senegal. In addition to a headquarters staff in Dakar, it maintained one coordinator in each department and one extension agent in each arrondissement. These field coordinators and extension agents reported to the local representatives of the Ministry of Women and the Center for Rural Development.

Objectives: The objectives of the project were to (1) reduce the socioeconomic burden of women and improve their income; (2) provide credit directly to women's groups, which would provide credit for livestock and village shops; and (3) establish local savings and loan associations to provide credit to their members.

Discussion: PEGF combined direct credit delivery to women's groups with credit to individual members of local savings and loan associations. It also combined subsidized interest rates (5 percent per annum) and savings requirements (1,000 FCFA = US$4 for three months) with a quasi-equity contribution of 25 percent of project costs. Short-term loans were directed to the agriculture sector and used for the acquisition and fattening of livestock as well as for trading activities. Other loans were made to local savings and loan associations so they could grant credit to their members. Generally, small-size loans (207,000 FCFA, or US$400) were made to groups of existing agricultural producers and traders rather than to new business ventures.

Impact: The 751 women's groups assisted by PEGF accounted for 10 percent of all women's groups in the country. Of these, 354 groups received 423 short-term loans over a two-year period. PEGF achieved a turnover of 2.1 for loans disbursed relative to the value/size of the credit fund. This fund could have been used more intensively, but the reimbursement rate of 92.4 percent was satisfactory. A degree of sustainability was also achieved, since the groups that were assisted with credit achieved a modest average operating surplus of 60,000 FCFA (US$240) per year. When the project ended, in December 1993, PEFG resources included the loan fund as well as the principal and interest accrued on outstanding loans. Since then, these funds have not been used. It has been tentatively decided that PEGF resources will be transferred to ACEP so that credit to women can be continued.

Conclusion: The credit delivery and recovery procedures worked well. They were based on a close knowledge and monitoring of small borrower groups and members of savings and loan associations. These principles are the key to a successful agricultural credit project. Such an approach contrasts with that of the Projet des Petits Projects Ruraux (PPPR) that used CNCAS for the management of its comparable size credit component and purpose. For PPPR, the 1993 reimbursement rate ranged between 65 and 70 percent compared with the 92 percent for PEGF. This difference in loan repayment reflected the difference in the credit management methods used by the two projects.

6.4.6 SENCHIM Pilot Project

This project deserves brief mention for several reasons. First, it illustrates the difficulties associated with providing credit to the agricultural sector in Senegal. Two prior credit forgiveness measures taken by the GoS have contributed to very poor loan payment habits. Second, it demonstrates how an initiative to provide input credit to small agricultural producers through a supplier=s credit delivery system can go awry even after a promising start and a few years of operation.

During the 1980s, the use of once heavily subsidized fertilizers decreased dramatically from 50,000 to 20,000 tons. In an effort to reverse this unfavorable trend, the management of SENCHIM, the leading producer and distributor of fertilizers and pesticides in Senegal and francophone West Africa, conceived the idea of a supplier-sponsored credit system for the delivery of inputs to agricultural producers. Realizing that it lacked the resources to implement this idea on a large scale, SENCHIM joined forces with the GoS. SENCHIM implemented its own program through its own distribution network and the GoS purchased inputs, which were distributed on credit to village associations through CNCAS.

The pilot project started in 1991 with 808 hectares. In 1994, inputs supplied through the pilot project were used to cultivate 17,945 hectares. Sales of fertilizers increased from 25,000 to 53,000 tons over the same period. In 1995, however, inputs supplied through the project were used on only 1,500 hectares, and the value of the inputs provided by the project fell from 1,210,393,000 FCFA (US$2.4 million) in 1994 to 211,680,000 FCFA (US$423,000) in 1995. This abrupt change resulted from SENCHIM=s decision to stop further sales of inputs to the GoS. Although the GoS has formally guaranteed payment for inputs, it has accumulated a substantial amount of arrears toward SENCHIM. Failure of the GoS to repay SENCHIM is due to the low reimbursement rate of CNCAS input loans. According to SENCHIM, the rate of reimbursement on CNCAS/GoS inputs credit was 51 percent in 1994 as compared with 83 percent for SENCHIM=s supplier credit. This difference in reimbursement rates reflects the more rigorous cooperative credit management approach of SENCHIM=s credit recovery procedures relative to those of CNCAS. SENCHIM is currently stepping up its exports to compensate for the lower domestic sales.

6.4.7 SEINVEST - SociJtJ FinanciPre SEINVEST

Start date: June 1993

Sponsors:

CDAO (Mimérand Group)	550,000,000 FCFA	US $ 1,100,000
Banque Européenne d'Investissement (BEI)	200,000,000 FCFA	US $ 400,000

Scope of operations as of June 1995:

Number of investments	4	
Amount of investments to date	258,000,000 FCFA	US $ 516,000
Additional investments in 1995	150,000,000 FCFA	US $ 300,000

Objectives: SEINVEST's objectives are to (1) invest long-term equity funds in promising ventures including existing businesses that require restructuring and new ventures; (2) achieve a rate of return on investment (ROI) of at least 30 percent; and, (3) participate actively in the management of investments.

Discussion: Private investors took the initiative and invested a substantial amount in a long-term financial services activity in a country that does not have a stock exchange where the shares of locally owned companies can be traded. This means that exit mechanisms must be defined and negotiated from the start of an investment. However, it is quite likely that within the next ten years, a regional West African stock exchange will emerge and that the shares of holding companies with investment in various national companies will be traded at the regional level.

SEINVEST is affiliated with CDAO, one of the four leading banks in Dakar, which provides largely short-term and a modicum of medium-term credit to well-established clients and the GoS. Investors in Senegal are traditionally oriented toward short-term activities such as imports and exports with a high turnover and good profit margins. It is significant that SEINVEST was created by a long-term foreign resident of Senegal who owns an integrated sugarcane and sugar mill complex as well as a bank.

The major indicator of a venture capital firm is its ROI. Investments are made for the long-term or a minimum period of five to seven years. Appreciation in the value of its investment is the major objective. However, achieving profitability and sustaining an increasing stream of earnings will enhance the long-term value of investments and provide dividends in the interim. To achieve profitability and an adequate ROI, the management of venture capital firms must be willing to actively manage their investments. Venture capital firms seldom take a majority position in the companies in which they invest, but successful venture capital firms do influence management decisions through advice and the insistence on sound management methods, often through having seats on the board of directors of companies in which they have invested or having management contracts with these companies.

It is too early to measure the success or shortcomings of SEINVEST, but it is important to note that SEINVEST recently divested an investment of 45,000,000 FCFA (US$90,000), presumably because it did not perform as planned.

Impact: Although SEINVEST has concentrated so far on investments in existing companies in the manufacturing and service sectors, it is reviewing several new venture opportunities in agribusiness. SEINVEST expects to very shortly participate in a locally owned fruit juice venture in Casamance (total cost of 270,000,000 FCFA). Other possibilities include an investment in a brewery or in a much needed refrigerated storage facility for onions and potatoes. SEINVEST's interest in these agroindustrial investments may be prompted by the availability of an ADB line of credit of 39,000,000,000 FCFA (US$78 million), of which 12,000,000,000 FCFA (or US$24 million) would be used for loans to agribusiness vendors. These loans would encourage the creation of new ventures. Commercial banks, however, are not inclined to invest or loan to purely agricultural ventures.

Conclusion: In the past, USAID has facilitated the start of venture capital firms, especially in Ghana. Contrary to most venture capital projects, where foreign sources accounted for the majority of start-up capital, BEI provided a smaller portion of initial funds; local investors provided the majority of the initial investment for equity and operating expenses. Although the Ghanaian venture has taken off, the Senegalese example is interesting because it emphasizes the investors' contribution to start-up operations. Not only should donors share start-up expenses with investors, but also investors who stand to gain from the venture should contribute equity funding as well. It is suggested that in the future USAID insist on a contribution by other investors of at least 50 percent of the initial equity and operating costs.

Four main issues are associated with venture capital firms in developing countries. First is the limited pool of promising existing companies and new ventures with good potential for growth and profitability. Investors must exercise a considerable amount of discerning judgment, which further reduces the number of suitable candidates for investment. Second is the ability of venture capitalists to influence local management teams and boards of directors, who are short-term oriented, so that businesses can be run in a transparent manner in accordance with clear objectives for long-term profitability and sustainability. This is sometimes achieved via seats on the board or management services contracts between the venture capital firm and the company in which they invest. Third, in order to pursue its program of equity investment during the first years of operations, additional funding will be required until dividends and management fees are sufficient to allow sustainable growth. Fourth, another major problem in Senegal is the lack of a five to seven year exit mechanism and the lack of a stock exchange for trading shares of local companies. Local investors and owners often do not have the cash to buy the venture capital company shares, and determining a value per share is difficult, especially with regard to intangible assets such as good will.

6.5 Lessons Learned and Implications for USAID

6.5.1 Non-Traditional Agricultural Exports

Lessons Learned:

Private sector operators in Senegal have developed a small and dynamic off-season fruit and vegetable export business. Lebanese and U.S. (the BUD/Senegal scheme of the 1970s) investors have played a prominent role in building this subsector, and banks have provided limited credit assistance. At least two companies have succeeded in producing horticultural products themselves or through a network of contract growers, entering into formal annual contracts with importers in Europe for the supply of green beans, melons, and other vegetables during the off-season months.

Transportation remains a bottleneck. Most produce is shipped by air and must compete with higher value seafood products for limited cargo space. Melons are shipped by refrigerated cargo vessels. The export of off-season fruit and vegetables represents an isolated instance of NTAE development by foreign entrepreneurs residing in Senegal. This phenomenon is not limited to Senegal. For example, in Gambia, exports of vegetables and fruits (mangoes) on a year-round basis have been promoted by an Indian family with operations in the Far East and Latin America, supported by its own distribution network in Europe.

Another instance of NTAE development is that of tomato concentrate. In addition to the GoS, which and operates a tomato processing facility, private French investors have been able to source tomatoes through contract growers in the Senegal River valley, process tomatoes into concentrate, and export the canned concentrate produce to Europe and the Middle East. In addition to the traditional small cans, they are exporting concentrate in large-size containers geared specifically to the needs of industrial and institutional customers in Europe and elsewhere. The success of this market segment targeting operation underscores the necessity to organize formal production and export distribution systems not only to promote sales but also to gain access to credit.

Implications for USAID:

For USAID the implication is clear: although indigenous entrepreneurs should be given preference, other <u>resident</u> entrepreneurs should be assisted whenever local investors are unwilling or unable to undertake new agricultural ventures.

Good horticultural production methods, including access to water, has resulted in the ability to produce fairly large quantities of vegetables of an acceptable quality. Combined with well-established export marketing channels, this has made it possible to take advantage of the European market for off-season vegetables. However, this niche was tapped by entrepreneurs who were experienced in international trade and who were willing to risk their funds to undertake a new venture with a payback of five to seven years. The same situation applied to the private investor who invested in the tomato concentrate factory. The willingness to assume risks over a longer period is a prerequisite to develop any new export venture. Unless Senegalese entrepreneurs are willing to adopt such a long-term investment strategy and learn international marketing, the development of NTAEs will not take place.

6.5.2 Association Development

Lessons Learned:

- Business associations do not and cannot exist in a vacuum without representing a membership. The business sector must exist before associations can develop, and a sufficient number of enterprises with similar interests or problems must exist before there is a reason to associate.

- Organizational assistance alone to an association would not be sufficient to create the required demand for an interested group to associate. A prerequisite to a strong business association is a strong sector or subsector to represent.

- The concept and perceived role of business associations need to be modernized and expanded to one that serves multiple needs of the membership, not just lobbying and information dissemination functions. Associations need to develop the attitude of service to the membership beyond that of a lobbying role.

Surveys need to be designed and conducted to poll membership regarding their priority needs.

- The strength, impact, and dynamism of an individual association are greatly influenced by the association president. Associations in Senegal appear to be personality extensions of their leadership.

- Associations need to develop a broader range of services for their members. Such services include the provision of production technology, management and accounting training, and market and product identification. For example, associations can sponsor and host trade shows or travel to foreign shows and markets, work to improve banking relationships, or provide services including accounting, insurance, and legal assistance.

Implications for USAID:

- While associations are an important and viable means of strengthening enterprises and business sectors, they cannot create enterprises.

- Agribusiness development and the promotion of associations that support agribusiness is a long difficult process that requires significant resources and a lengthy time horizon. It should not be aggressively pursued unless there is a strong commitment to undertake the considerable risks and focus on the entire agribusiness system.

- Concentrating on the development of business associations is insufficient to promote growth in the overall NTAE sector. It is necessary to use a subsector approach, which concentrates on NTAEs from production through to the final buyer.

- No donor other than USAID appears to be strongly involved in the development of business associations.

- If assistance is provided to associations, focusing on the development of an umbrella association that would be available to promote the growth of other associations would be the most cost-effective and sustainable approach or strategy.

6.5.3 Small and Medium Enterprise Development

Lessons Learned:

The GoS control led operations all the way from production to the processing and marketing of rice and groundnuts. Credit supporting these crops was also well integrated and worked fairly well. Agricultural producers benefited from CNCAS input and production credit, which was repaid when farmers sold their production to mills that were financed by a consortium of banks. Commodities were sold on credit to GoS-sponsored and -operated marketing boards that distributed them through commercial channels. Upon receipt of sales proceeds, the consortium loan was repaid. This was a relatively simple, integrated credit process with no commercial credit risk, although delays in reimbursing consortium loans were not unusual**.** However, the process excluded private sector operators. Therefore, banks must now take the lead, especially for the financing of processing and marketing operations. Opportunities exist for assisting and brokering loans for badly needed modernization of privately owned processing and marketing facilities.

Implications for USAID:

The privatization of the rice subsector and the expected privatization of the groundnut subsector mean that the credit arrangements used by CNCAS and commercial banks will have to undergo fundamental changes. Credit to agricultural producers will remain the same. However, postharvest credit to rice mills will now bear an element of risk and will be appraised on the basis of basic creditworthiness criteria. Moreover, CNCAS will seek to link its working capital loans to mills to the purchase of the paddy produced with the assistance of CNCAS credit and the reimbursement of input loans. In the same fashion, the reimbursement of credit to mills will be linked to the proceeds of sales to private wholesalers. This new approach will require some adjustment on the part of financial institutions, which will continue for some time to concentrate on the financing of rice and groundnut production and distribution. Prior to entering this new system of credit to indigenous small and medium enterprises (ISMEs), CNCAS and commercial banks will probably want to perfect their new mechanisms of credit to agribusiness enterprises. However, selective integrated credit to ISMEs could be a future opportunity for the profitable, albeit risky, use of bank resources.

6.5.4 Financial Services

Lessons Learned:

- The dominant user of agricultural credit from CNCAS and commercial banks has been the GoS. A large number of donor-sponsored agricultural projects with a credit component have supported agricultural producers at the local and regional levels in production of rice and groundnuts. All these credit facilities were geared to the annual production and marketing cycle for these two crops, which were heavily controlled by the GoS. As a result, banks have not responded to other needs with the exception of the integrated sugar complex in the Fleuve region. Medium-term credit has been largely ignored and credit facilities for the diversification and export of non-traditional agricultural products such as off-season vegetables have been limited.

- Credit facilities administered by CNCAS and lines of credit entrusted by donor-sponsored agricultural credit programs have not been well managed. Lax credit analysis procedures, based on production cost rather than on cashflow, coupled with inadequate loan monitoring procedures, have resulted in unacceptably low loan recovery rates. This situation has affected unfavorably the profitability and sustainability of the BNDA as well as the sustainability of other credit projects after the termination of donor support.

- CNCAS and commercial banks have not used effectively the credit lines made available to them at favorable terms by international donors.

- Some credit programs such as ACEP have been well managed and have achieved operational self-sufficiency. Strict credit procedures and spreading of risks over several sectors, including agriculture, are helping the projects achieve long-term sustainability.

- Savings mobilization is the source for credit extension. Several projects are developing savings and loan associations at the local level. ACEP has recently launched a program of savings mobilization. Credit availability tends to accelerate savings mobilization, because depositors can expect easier access to loans.

- Venture capital may become a source of equity funding for promising agribusiness ventures. **However, the growth of venture capital in West Africa will be closely linked with the existence and activity of national and/or regional stock exchanges.**

Implications for USAID:

As stated in the December 1994 *Overview of the Current USAID Program* in Senegal, A agricultural credit mechanisms must still be developed.@ The following design and implementation recommendations are offered with a view to achieving this goal:

- In the event USAID wants to use some of its PL 480 counterpart funds, they should not be channeled to a credit line for use by BNDA and commercial banks or to a guarantee fund. Instead, these funds should be used for the implementation of a financial intermediation project to offer savings and credit services to urban and rural residents. This financial intermediation project would cover agriculture, trade, services, and other activities in order to spread risks throughout all the major sectors of the economy. Agriculture would account for 30 percent of all loans. Initially, emphasis would be placed on training borrowers in financial and business management. In the Senegalese case, it is particularly important to train borrowers to accept financial accountability and responsibility for loans. .

- Savings mobilization and credit extension should be an integral part of the communities in which the project operates. This means that loans should be made primarily on the basis of character and cashflow and should be closely monitored. Interest should not be subsidized, and it should be sufficient to cover all operating expenses, including bad loan provisions after the fourth year of operation. Penalty fees should be part of the design.

- Another possible use of the funds would be to finance construction of badly needed storage facilities for onions and potatoes, and a refrigerated storage facility located at the Dakar airport for exporting off-season vegetables. These facilities have been discussed and studied for years, but no action has taken place to date. Such facilities would be consistent with USAID=s cross-cutting objective to transfer new technology and diversify agriculture and enterprise development. Local private investors may be encouraged to invest in such facilities through an equity participation by SEINVEST, combined with a USAID-sponsored loan and/or grant.

- Finally, credit projects should be designed and implemented with the objective of achieving operating self-sufficiency within five to seven years. This implies that the emphasis will be placed on profitability rather than on development. At the same time, a successful credit project will benefit the lower income groups in Senegal by providing them access to credit.

6.5.5 Monitoring and Evaluation

Association Development:

Senegalese associations appear to have no way of monitoring and evaluating the effectiveness of their programs, which are admittedly quite limited. Although most Senegalese business associations purportedly lobby the GoS for favorable policy, regulatory, and tax treatment, no examples of lobbying successes were evident. As with many GoS agencies, Senegalese associations appear to be run in an authoritative, top-down manner, where leaders do not carry out surveys to determine the needs of their members.

Financial Services:

Donor agencies must pay particular attention to **monitoring and evaluating** the impact of their support to financial services in developing countries. Although the time allotted to this survey did not permit an in-depth analysis of monitoring and evaluation systems of the credit programs in Senegal, a few remarks are in order. The traditional approach of donors to project monitoring is based on a monthly comparison of project costs to date versus budget, and on the periodic tracking of results versus objectives, defined in project papers as the number of loan applications, loans disbursed, outstanding and past due loans, use of loan funds, percentage of women and other targeted borrowers, employment generation, and the impact on economic growth and export generation. A few projects also include the traditional ratio analysis of liquidity, solvency, and asset quality practiced by most financial institutions.

Important as they are, these periodic monitoring reports, which have a strong quantitative orientation, generally ignore several widespread qualitative considerations, such as the following:

- Financial condition of the project measured in terms of its ability to break even and generate a profit
- Ability of the financing entity to expand the range of its services and achieve long-term sustainability and a lesser reliance on donor subsidies
- Ability to accurately measure the proportion of the portfolio at risk by providing detailed portfolio quality information showing arrears by degree of delinquency
- Innovation and demonstration capability in terms of financial intermediation and diversified risk management
- Responsiveness to expressed needs for financial services
- Image of the project among individual and basic clients, cognizant government

agencies, and political leaders
- Staff qualifications, adaptability, motivation, and turnover
- Quality of management, leadership, and information

These criteria lead to a qualitative evaluation of finance programs. This approach can be very informative. It supplements traditional quantitative measurement criteria and evaluations. It provides a clearer picture of project achievements and project sustainability. It also helps in providing a market analysis as well as a useful assessment of project operations as they relate to their surrounding economic and political environment. This approach represents a more appropriate framework for what finance programs do, and how they should be designed and implemented to achieve sustainability, efficient financial intermediation, and easier and diversified credit and financial transactions.

6.5.6 Other Observations and Implications

Senegal is a small country that lacks natural resources and agricultural potential. Due to its semiarid climate and geographic location on the edge of the Sahara Desert, commercial agriculture is limited to the few parts of the country that have adequate rainfall and growing conditions. Significant positive and sustainable economic development through agribusiness either in value-added processing or direct exportation of agricultural products will require long-term dedication of resources from donors, entrepreneurs, and the Senegalese government in agricultural technology, finance and investment, ancillary business support services, legal and regulatory environment enhancement, and infrastructure development. To develop a thriving agribusiness sector for the export of non-traditional agricultural products, Senegal must overcome the following constraints:

1. **The supply of raw material for agroprocessing is inadequate and unreliable.** Agricultural potential is limited. The amount of new acreage coming into production through irrigation is offset by continuing desertification and poor maintenance of old infrastructure. A reliable product flow to agroprocessors in terms of sufficient quality and quantity appears to be at risk. It is by no means certain, given the vagaries of agriculture in poor Sahelian countries, that sufficient levels of production capacity to recover investment costs can be achieved. Insufficient water resources compound the problem.

2. **Domestic and international markets are limited and poorly developed.** The Senegalese market is small, fewer than eight million people with limited purchasing power due to per capita incomes of less than $800 per year. Exports to the region are minimal because the surrounding countries have similar geographic and demographic

profiles and deal essentially in the same products and commodities. The current EU market available to Senegalese products is limited and based on the exploitation of market niches. Agricultural exports to Europe, albeit at a very low level, are dominated by only a few French and Lebanese owned or influenced enterprises. Senegalese enterprises focus almost exclusively on the domestic market.

3. **Infrastructure, including export services to support agribusiness, is inadequate.** Transportation, storage, processing, and freight services are insufficient to support increased production and marketing of products. Domestic transportation and storage for highly perishable materials are insufficient. Freight to Europe is expensive and limited. Telephone, postal, and other business services are unreliable. However, Dakar is a container port and is closer to Europe than many other African ports.

4. **The business services environment consisting of support organizations, banks and lending activities, and economic information is poor.** Business associations, banking, and government information services are weak and underdeveloped. The development of agribusiness associations would certainly be beneficial to the creation and development of agribusiness. However, strengthening associations without creating a market, securing a source of raw materials, and providing credit and business services would not improve overall performance of the agribusiness sector in a meaningful or sustainable fashion.

5. **Historic government control of the agribusiness system has weakened the private sector.** The private sector is weak and underdeveloped, because it has been dominated by the state, which traditionally has had a *dirigiste, fonctionnaire* mind set and has not understood, valued, or promoted the private sector. Beginning in 1994, with the devaluation of the CFA, the government of Senegal began liberalizing the economy. The trend toward market mechanisms and the de-monopolization of the economy is a positive step that will require time to produce results.

6.5.7 Key Issues

Association Development:

The fundamental issue facing Senegalese trade and business associations is whether they serve any truly useful function at all. Given the *dirigiste* history of GoS management of the Senegalese economy, and the lackluster performance of associations, Senegal does not appear to be a promising country for USAID support of association development. Unfortunately, AMIS II was unable to interview managers of any of the commodity- or subsector-specific associations.

Financial Services:

In Senegal, two major issues must be addressed if agribusiness is to enjoy vigorous growth. First, with the exception of ACEP, which has reached operating self-sufficiency by extending loans to private sector creditworthy borrowers within agribusiness, the performance and outlook of agricultural credit projects and CNCAS are open to questions with respect to their loan recovery rates and their sustainability after the end of international technical assistance and associated credit lines or operating grants. Additionally, the sustainability of groups that were granted input, production, and equipment loans is not promising.

Second is the approach to business by Senegalese entrepreneurs with respect to new ventures. Entrepreneurs are still traders with a short-term orientation. The development of private entrepreneurship in productive sectors such as agribusiness is based on a long-term investment approach with a five to seven year expectation of payback. Agribusiness development is generally incompatible with shorter payback periods.

7. Implications for USAID

The following section presents the main lessons learned and implications for enhancing the design and implementation of USAID agribusiness projects in West Africa.

7.1 Non-Traditional Agricultural Export Development

Lessons Learned:

$ NTAE growth is often constrained by firms' limited access to finance, even when they are provided with managerial and technical assistance.

$ Intraregional trade in NTAEs in West Africa is restricted by costly transport, relatively undifferentiated demand, low purchasing power, similar resource endowments and production possibilities (within the Sahel or within coastal West Africa), and poor infrastructure.

$ USAID promotion of NTAEs from West Africa to the EU has been successful in Ghana and Mali. Technical assistance in production and export marketing management has been a key element in this success. Little or no emphasis has been placed on market research and financial support.

Implications:

$ NTAE firms need an integrated package of financial, managerial, and technical assistance to optimize the impact of the resources utilized.

$ Donors interested in promoting intraregional trade need to take a hard look at real trade opportunities among West African countries, rigorously evaluate the current performance of trading enterprises, and select a few high-opportunity commodities/enterprises for intensive, direct promotion.

$ USAID NTAE promotion projects would be more successful if they included finance and market research/intelligence dimensions. To consolidate the gains of TIP in Ghana and DHV in Mali, USAID will need a second-generation project that incorporates these other dimensions. Alternatively, an intermediary organization, such as an Agribusiness Service Center could provide an integrated package of services to SMEs exporting non-traditional agricultural products, including finance and market research.

7.2 Association Development

Lessons Learned:

$ Trade associations are more likely to emerge in African countries where the government has stepped back from heavy-handed participation in the economy and where the political environment has become progressively more liberal, as in Ghana.

$ Small associations typically lack full-time professional management, have very limited funds, and may not be able to deliver services that respond to members' priority needs. In fact, they may not even know what their members' priority needs are, never having carried out a survey.

$ Umbrella organizations that represent numerous related associations, along the lines of FAGE in Ghana, can hire professional management and lobby effectively for policy and regulatory reform that affects member associations. With donor or other external support, they can offer other services, such as market research, training, and technical assistance in production, postharvest handling, and export marketing.

$ Association objectives need to be scaled to the resource limitations. If associations or umbrella organizations offer multiple services, it is likely that sources of funding other than member dues will be needed. These alternative sources should be regarded as short-term infusions of funds and be used for capital expenditures, holding workshops, or providing technical assistance, not for activities with recurrent costs that the association will have trouble meeting once external financial support is withdrawn.

Implications:

$ USAID should concentrate on association development in African countries where the political environment is increasingly liberal and where the formation of associations and other interest groups is considered an essential ingredient to strengthening civil society.

$ While USAID may be tempted to provide full-time management and technical assistance to narrowly focused commodity- or industry-specific associations, this is usually misguided, as it raises member service expectations to an unsustainable level. Instead, such assistance is better targeted to umbrella organizations. Intermittent, well-defined, and focused TA should be provided to member associations, including association members (e.g., training workshops) and association management. AMIS II, through its industry contacts and member trade associations, can access high-quality TA for association management and members in a wide array of special skill areas.

$ USAID and other donors can most efficiently gauge the impact and effectiveness of association services by funding independent evaluations that focus on member satisfaction. Annual member surveys should accompany any donor support. Ultimately, associations should develop the capacity to perform annual member surveys themselves or the capacity should be developed in a local market research and survey firm.

7.3 Small and Medium Enterprise Development

Lessons Learned:

$ SMEs require targeted financial support for expansion or diversification. Self-financing limits growth, as it restricts SME working capital for procurement, operating costs, and export marketing. In addition capital for medium- to long-term investment is severely constrained.

$ APDF provides valuable services to a limited number of SMEs (when USAID provides support for it) in preparing business plans for expansion and seeking alternative sources of finance not supported by APDF. SMEs require additional and ongoing support, including technical and managerial assistance and finance.

Implications:

$ As a complement to APDF and the GVCF in Ghana, USAID can meet the financial needs of SMEs through support to an ASC. In addition to integrating and complementing assistance to SMEs provided in large part by TIP, creation of an ASC would lay the groundwork for ongoing, self-sustaining services to SMEs in the post-TIP environment.

7.4 Financial Services

Lessons Learned:

$ A reasonably liberal and transparent financial sector, with limited controls and restrictions on interest rates, foreign exchange, capital transfers, and use of funds, is a prerequisite to successful financial intermediation in support of agribusiness development.

$ Agriculture sector and agribusiness investments and loans are perceived as more risky than finance extended to other sectors in West Africa. To overcome resistance of loans to agribusinesses, it will be necessary to retrain and/or replace commercial bank and agricultural development bank loan officers who evaluate clients on the basis of the most conservative criteria (e.g., collateral).

$ Finance is one of the most important missing links in the services chain provided to SMEs.

Implications:

$ In some West African countries, particularly francophone countries, USAID and other donors should first concentrate on liberalizing and opening the financial sectors. Removing restrictions on interest rates, capital transfers, and credit use will go a long way toward eliminating disincentives to providing financial services to agribusiness firms.

$ When USAID or any other donor provides funds to a financial institution in West Africa, it also should train loan officers in evaluating loans to agribusinesses. Donors would also be well advised to make funding contingent upon hiring of professionals with business management experience as loan officers serving agribusiness and other poorly collateralized sectors. In this way, loan evaluation criteria will become increasingly based on the agribusinesses' ability to generate revenue and service debt.

$ In countries such as Ghana, where USAID is providing many services to export-oriented agribusinesses through the TIP project, USAID should provide finance to SMEs through either a financial intermediary (which could be an existing contractor with a track record such as TechnoServe or GVCF) or through a support organization such as an ASC.

7.5 Monitoring and Evaluation

Lessons Learned:

$ When a donor agency such as USAID provides little or no M&E guidance to a financial institution, association, or other intermediary organization, M&E will not be satisfactory.

$ In African countries where the government intervenes directly and heavily in the economy, M&E of financial institutions is given short shrift. Association development is suppressed and even where broad-based business support organizations are present, their activities are not closely monitored and evaluated. Parastatals, government supported associations, and financial institutions are not performance-driven.

$ Financial institutions tend to monitor and evaluate performance by tracking conventional financial ratios and measures that apply to their portfolio, and <u>not</u> the performance of the businesses that received financing.

$ Neither the impact of supported association activities on members nor member satisfaction with association services are effectively monitored and evaluated.

Implications:

$ USAID needs to insist on M&E and provide straightforward guidance for designing, implementing, and interpreting internal M&E systems to both financial institutions and associations who receive USAID funding and TA.

$ USAID should commission independent surveys of the business performance of clients of financial institutions and Acustomer@ satisfaction surveys of members of trade associations.

C Key aspects of firm business performance to examine include how effectively firms use finance; what precisely they do with the equity/debt; what their results are in terms of throughput, employment, sales, and profits; return on investment, and the debt:equity ratio; and how well firms are able to service the loan.

C Annual member satisfaction surveys will rate (on a scale of 1 to 5 or 1 to 10) the quality, effectiveness, and amount/quantity/frequency of various association services, as well as rank the members= needs in order of priority for the coming year.

$ The capacity to conduct such surveys should be developed and strengthened within the private sector. Specialized firms may be able, over time, to take on much of the A internal@ and donor-related M&E done by financial institutions and associations.

8. Opportunities for High-Impact Research and Analysis

Chapter 8 offers several brief recommendations for future high-impact research and analysis on agribusiness development in West Africa, based on the findings of the *Innovative Approaches* work.

Performance of Firms Assisted by TIP in Ghana. TIP is USAID=s largest agribusiness and trade promotion project in West Africa. As such, it deserves to be carefully monitored and evaluated by USAID, and lessons learned from TIP should be widely disseminated to USAID Missions (and contractors) working in West Africa and the rest of SSA.

TIP needs to assess the business performance of assisted firms, going beyond aggregate trade statistics (that cover exports of both assisted and non-assisted companies). AMIS II recommends a combination of in-depth case studies of selected firms, representing different commodity subsystems, firm types/sizes, and organizational arrangements (especially with producers and importers), and customer satisfaction surveys implemented through trade associations receiving support under TIP. If well-conceived and well-developed, such an approach could serve as a model to be replicated elsewhere.

Note that a centrally funded project such as AMIS II, receiving USAID/Washington funds (from the Africa Bureau), would be an appropriate vehicle for conducting this type of periodic assessment. Using a contractor that it is part of the TIP consortium would provide an independent evaluation.

Assessing and Disseminating the Lessons Learned from APEX and DHV in Mali. USAID/Mali is the other Apowerhouse@ Mission in West Africa (in addition to USAID/Ghana), featuring a large and diverse portfolio, as well as investing significant resources in two export promotion projects with NTAE and SME dimensions. Both projects are ambitious in scope and seemingly stretched thin. Information about these projects is not readily available outside of Mali, despite the Mission=s recent adoption (post-reengineering) of an information and telecommunications SO. Neither project has been formally evaluated, although APEX is reportedly going to be evaluated in FY 1996.

It is strongly recommended that AMIS II participate in the evaluations of both of these projects. AMIS II could provide an analyst to each evaluation team who would carefully examine NTAE and SME achievements and areas for improvement under APEX and DHV. This would contribute to the Mission's specific need to do first-class evaluations of these two large projects, as well as support AMIS II's and AFR/SD/PSGE/PSD's cross-cutting, thematic analytic agenda. Other contract vehicles could be used to provide the other personnel for the evaluation teams.

Time and resources permitting, AMIS II could also participate in formal evaluations of USAID/Guinea's agribusiness promotion project. In 1994 USAID/Guinea denied AMIS II permission to examine its innovative and reportedly successful agribusiness project, largely on the grounds that the project was too new to evaluate and the Mission did not welcome a premature assessment. The time may now be ripe for a proactive approach to Mission management (especially as John Flynn has become Mission Director; Flynn has collaborated enthusiastically with AMIS II predecessor projects). The World Bank is also implementing an agribusiness promotion project in Guinea, which has been under way since 1993.

Annual Surveys of Importers. In agribusiness <u>export promotion</u> programs, donors and implementing agents require periodic feedback and input from key destination country importers. This can be done through surveys of selected importers in target high-income and regional markets. These surveys can emphasize factors that are critical to exporter success, such as the quality and reliability of agricultural product shipments, the perceived reliability of various countries' exporters and their responsiveness to importer desires and feedback, and how the products of particular exporting countries in SSA compare to those of key competitors, particularly those in North Africa, Asia, and LAC. They could also identify developing trends and market opportunities.

Importer surveyors could be carried out best by a centrally funded project such as AMIS II. Obtaining core or Africa Bureau support would be necessary, rather than trying to raise funding through the buy-in contributions of numerous USAID Missions, which would be difficult and time-consuming to coordinate.

Assessing in Detail the Strengths and Weaknesses of USAID (and Other Donor) Support to Agribusiness Trade Associations. AMIS II carried out a cursory assessment under the *Innovative Approaches* activity. Further work remains to be done, which would support the implementation of TIP, APEX, and DHV in Ghana and Mali, as well as provide lessons learned of relevance to USAID's democracy and governance initiative.

List of Major Contacts

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APPENDIX A

DETAILED PROJECT ASSESSMENTS*

A - 1 TIP

A - 2 HRDA

A - 3 APEX

* Refer to the detailed questions which follow for an explanation of the titles used under the Output column.

1) What project or activity objectives are relevant to the areas of focus chosen for study?
2) How are these aspects of the activity innovative?
3) What performance indicators were or are being used to monitor/measure impact of the activity?
4) How are external influences being managed?
5) How successful have the relevant interventions been?
6) What new agribusiness opportunities have resulted from the activity?
7) What monitoring and evaluation mechanisms, systems, and indicators can be suggested?
8) What relevant lessons can be learned from this activity? What mechanisms worked and did not work, and how could the impact be improved/enhanced?
9) What are the relevant implications for USAID project design and implementation?
10) What new mechanisms or interventions can be suggested to increase the effectiveness of these projects or activities?
11) What are the indicators of project success that can be suggested, and what is the best way to monitor those indicators?

12) What other useful information should be reported and what are the main unresolved issues?

Country: Ghana Start Date: 9/30/92	Title: Trade and Investment Project(TIP) Completion Date: 9/30/97		Sponsor: USAID Project Value: $80 millio
Output	**Area of Focus**		
	Association Development	Financial Services Development	Agribusiness Su
1) Relevant Project Objectives	1) Through IESC: Provision of TA to strengthen trade associations and enterprises in NTAE sector. 2) Increase associations' capacity to act as advocates for the industry.	1) Through APDF: Selection and financing of appropriate entrepreneurial projects in NTAE sector.	1) Through Sigma Creation of an enabling enviro for NTAE throu policy advocacy
	The project objective is to expand NTAE. The project provides $60 million in no technical assistance to five grantees concentrating on the sector including policy agricultural production, and association development. The project is unique in t complex, and addresses all Areas of Focus of this study.		
2) How Innovative	Creation of an umbrella association (FAGE) to channel support and technical assistance to member associations.	Grant to APDF to prepare business plans and source financing for Ghanaian export firms; leverages existing capacity of APDF already active in the region.	Strengthened Trad Oversight Committ Trade Investment Management Unit Ministry of Trade a Industry.
3) Performance Indicators	1) Membership in FAGE; 2) Increase in operating efficiency of member associations.	Performance is measured by the size and amount of financing obtained. Enterprises are closely screened and currently 90% of selected enterprises have received credit.	Indicators include in government poli procedure regardin export policy, taxes tariffs, and elimina export bottlenecks

4) Management of External influences	FAGE is promoting the concept of creating a NTAE industry that combines different products, but works together to be stronger and overcome shared problems. These take the form of industry standards, addressing industry constraints in freight, financing and finance, and lobby the government for interventions that would promote the industry.	APDF is addressing a constraint voiced by the formal financial sector that enterprises lack expertise to evaluate projects and develop bankable proposals.	This component addresses governr policy and procedu
5) How Successful	The project has successfully helped FAGE develop. FAGE is in its second year of operation. It is recognized as a leader, has widespread membership, but is still a young organization. A prime indicator of success is whether membership is viewed as an economic advantage.	In 1994 alone, APDF helped SMEs to raise $8-9 million in credit; generate $8-9 million in export earnings; generate 300 jobs; and save $2 million in foreign exchange.	Sigma I has report policy changes cor to exports: tax ben exporters; ex\im procedures have b codified and distrib exporters can retai earned forex; prep requirement for ex shipments has bee
6) New Opportunities	FAGE and associations must develop surveys to poll membership and insure that membership has a voice in setting the direction of the associations.	Possibilities exist in 1) venture capital development; 2) development of valued-added processing, especially in pineapples; and linkage with IFC in enterprise development and financing.	Further reduction i and regulation rela export services bottlenecks.

7) M & E Improve-ments; Indicators Suggested.	1) More specific or quantifiable measurement of member association=s operating efficiency is required. 2) Same for the measurement of individual enterprises registered as members of other associations. 3) Degree to which associations represent the needs of the membership.	Performance indicators appear well-developed: see number five above for indicators on credit sourced, jobs created, and foreign exchanged saved.	Measure changes the enterprise leve the sector level. Enterprise level inc should include fina and management indicators; sectora should include mea of government pro and business envir favorability.
8) Lessons Learned	Early evidence suggests it is more efficient and easier to achieve sustainable impact on association development through strengthening an umbrella group, which can then promote its members and industry.	Profitable lending to the agricultural and agribusiness sector is possible with a minimum of government interference and with well managed loan portfolio evaluation and monitoring systems.	Government prom favorable policies reducing regulatio support developme SME agribusiness crucial factor in the of the sector.
9) USAID Implications	The concept employed in the TIP Project is a sub-sector approach. In one large are addressed. The approach can be replicated through similar projects, or thro		
10) New Mechanisms Suggested	The mechanism employed, a sub-sector approach to strengthen various links in Associations are only as strong as the membership. Exporters need a consiste export. Finance is the lifeblood of an enterprise. Having a market is the key to		
11) Key issues	1) Will FAGE be able to continue after project assistance is terminated? 2) associations will not develop until industry and enterprises are strong enough to pay membership fees that cover Assn. costs.	Can the agricul- tural sector continue to provide sufficient quality bankable projects to keep its relative size in APDF=s assisted project portfolio?	What will be the re size and strength c public sector in the agribusiness development? Ho will the private sec develop in sectors formerly dominate public structures?

12) Other Information	Existing associations in Ghana are weak, poorly organized, financed, and lack clear objectives to promote overall trade development in export markets.	APDF operates in several West African countries, but its portfolio in Ghana is the largest and best performing.	

Country: Ghana **Title: Human Resource Development Assistance Project (HRDA)**
Sponsor: USAID **Start Date: 6/91** **Comple**

Output	Area of Focus	
	Association Development	Integrated ISN
1) Relevant Project Objectives	1) Create stronger associations as a base of support to export-oriented enterprises	1) Increase enterprise competitor
2) How Innovative	Management training workshops employ innovative participatory training for managers.	Short-term tra on active wor training institu management processing te
3) Performance Indicators	Most important indicators include number of workshops held, number of managers trained, also the number of dues paying active members in business associations	Number of att number of ses trained; produ receiving trair
4) Management of External Influences	The project has adopted the AGhana Inc.@ approach attempting to bring toge the business support groups such as associations and consulting firms.	
5) How Successful	A 15% increase in associations= membership is reported by the project.	Organically ce papayas, hav
6) New Opportunities	Ghanaian associations need to be strengthened in their ability to respond to memberships= needs. Requires participatory approach with decentralized decision making and authority.	Identification product in Eu (German) are organically ce
7) M & E Improvement Indicators Suggested	Effectiveness of associations to increase active membership, and proportion of funding out of member fees. Evidence of the effectiveness of lobbying government for support for export services and infrastructure bottlenecks.	Adoption of m documented i
8) Lessons Learned	Assistance in management and training must be developed individually to fit the characteristics of the association.	Practical and have more co training.

9) USAID Implications	There is strong integration between the HRDA and TIP project. This portfol sector feature of the TIP project focuses resources on addressing particular	
10) New Mechanisms Suggested	Membership surveys to determine membership profiles, needs, and capabilities are needed to help set strategic directions that associations should take to benefit their industry and membership.	Dedicate som Ghana as a c buyers.
11) Key Issues	Ghanaian associations are centrally managed in an authoritative style, and weak in ability to survey membership to determine wants.	

Country: Mali **Title: Animal Productivity and Export Project (APEX) Sponsor: USAID**
Start Date: 1993 **Completion Date: 1998** **Project **

Output	**Area of Focus**	
	Integrated SME Agribusiness Support	**Non-tr**
1) Relevant Project Objectives	To improve efficiency and profitability of cattle, sheep, and chicken producers on a sustainable basis.	To stre traditio non-tra
2) How Innovative	Attempting to formalize and professionalize both the producers increasing product quality, identification of markets and contra profits and investment in the industry.	
3) Performance Indicators	Animal liveweight, carcass weight and rendement. Number and type of training courses and programs completed.	The ac supply
4) Management of External Influences	Identified constraints in lack of business services and information; lack of business organizations, and lack of training to overcome poor management and financial skills.	Identif transfe linkage buyers facilitie
5) How Successful	Moderately successful in increasing the production capacity of some producers. Weight and quality of animals has improved bringing higher prices.	Moder marke for Ma freezin
6) New Opportunities	The decline in the quality of livestock and hides can be arrested to stop further erosion in the traditional market.	There rumina
7) M & E Improvements and Indicators Suggested	The size of membership in business and product associations number, amount and type of loans received from banks or len assistance delivered to the enterprises and industry at large.	
8) Lessons Learned	The greatest impact comes from working with existing rather t exporters rather than new entrants. Opportunities to increase that arise from improved production techniques alone. Both p necessary components of successful export promotion progra	
9) USAID Implications	The sub-sector approach appears to be the most valid, cost-e the host of problems that must be resolved to encourage the c enterprises.	
10) New Mechanisms Suggested	Strengthen capacity to promote environmental protection and public information and education.	

11)	Key Issues	Choice of production techniques needs to be driven by effective market demand and potential profitability.	Partici produc etc.
12)	Other Information	The commercial livestock sector contributes 35% of value add exports	

APPENDIX B

ASSOCIATION PROFILES

B - 1 FAGE

B - 2 HAG

B - 3 NACNE

B - 4 GEPC

B - 5 GCC

B - 6 AMELEF

B - 7 APCAM

B - 8 FNEM

B - 9 CCIM

B-10 CNES

B-11 CNP

B-12 UNACOIS

B-13 SPIDS

B-14 CCIA

Name	Federation of Associations of Ghanian Exporters (FAGE)
Basic Objectives	FAGE has as its primary objectives: 1) To strengthen membership organizatio NTAE's through the provision of information, technical assistance, training ser represent the technical and service needs of NTAE growers and exporters to t
Membership	14 Associations are represented in the membership. They are of varying capa growers and dealers in yams, vegetables, fish, cola nut, and horticultural produ
Years in Existence	Founded in 1993.
Operating Budget	Unavailable
Percent Self-Financing	FAGE was created with grant and loan money. Projects 100% cost recovery f years of operations.
Annual Donor Support	Organizational and technical assistance received from USAID through IESC p
Percent Post Harvest Ag. Business	90%
Number of Staff	2 professionals plus administrative staff.
Major Strengths	FAGE has dynamic Director who is experienced and knowledgeable in agricul close association with IESC which has provided ongoing financial, organizatio organization. The strategy of strengthening the associations by working to cre incorporates the principles of sustainability and impact.
Major Weakness	FAGE has ambitious goals and multiple objectives for creating a self-sustainin varied membership. It has recently been organized and is untested in these a

Name	Horticultural Association of Ghana (HAG)
Basic Objective	To assist membership in: 1) Correct methods of horticultural farming; 2) Pro 3) In the provision of market information; 4) and lobbying of government to f
Membership	There are 100 registered members, 40 of which are described as active. Th and grower exporters.
Years in Existence	Founded in 1982
Operating Budget	Unavailable. Budget comes from membership dues and a percentage of ex association.
Percent Self-Financing	100%
Annual Donor Support	None
Percent Post Harvest Ag. Business	100% Members who are growers only produce primarily for the export mark
Number of Staff	Two; a director and a secretary.

Major Strengths	HAG has over a decade of operational experience. They are also recognize Ghana.
Major Weaknesses	The administration is small and lacks sufficient resources to address adequa encountered in the development of horticultural exports.

Name	The National Association of Cola Nut Exporters (NACNE)
Basic Objective	The primary objective is to promote the sale and export of cola nuts through 1) th export procedures, and 3) representation to the government regarding export ser
Membership	30 members; representing 1) growers, 2) dealers, and grower dealers.
Years in Existence	Formerly organized in 1985, but existed informally for at least ten years prior.
Operating Budget	Unavailable. Budget sources are dues paid by members and small fees levied o
Percent Self-Financing	100%
Annual Donor Support	None
Percent Post-Harvest Ag. Business	100%
Number of Staff	Variable, but doesn=t exceed five part-time managerial and administrative staff.
Major Strengths	The association is well known by the Chamber of Commerce, the Ghana Export Ghanaian Exporters. HAG apparently has been successful in keeping at least a for the cola nut industry.
Major Weaknesses	Cola nuts are consumed in the domestic market, and exported to neighboring co Benin, and Togo. Much of this trade is informal and done without adherence to nature of the trade, combined with the few commercial or industrial applications the association will remain small and informal.

Name	Ghana Export Promotion Council (GEPC)
Basic Objective	Ghanian government agency to develop and promote export diversification.
Membership	Not a membership organization, but active with associations and NTAE exp
Years in Existence	Established in 1969
Operating Budget	Unavailable
Percent Self-Financing	Government agency supported by public funds and directed donor support.
Annual Donor Support	Various operating grants, seminar assistance, equipment purchase, and fun
Percent Post-Harvest Ag Business	Substantial, but not solely dedicated to NTAE. Also includes minerals, ener
Number of Staff	Not known.
Major Strengths	Recognized as government=s central agency to promote export diversificatio associations. Is knowledgeable regarding constraints to export developmen

Major Weaknesses	GEPC has a limited impact on addressing key constraints to export develop supply of fresh produce to export or process; 2) scarce operational and inve infrastructure including transport, cargo storage and handling, refrigeration, problems in identifying products and clients.

Name	**Ghanaian Chamber of Commerce (GCC)**
Basic Objective	1) Collective and individual representation of the membership to the governm 2) Developing trade and investment contacts with foreign business interests; 3) Provides limited technical assistance in the form of legal and accounting s 4) Provides international communication (phone, fax) for members.
Membership	3,000 registered enterprises; 1,000 active dues paying.
Years in Existence	Established in 1961
Operating Budget	Unavailable.
Percent Self-Financing	Mostly self-financing from membership dues and fees. A small portion of pub
Annual Donor Support	Variable. UNDP provided funds and technical assistance to compile the Gha
Percent Post Harvest Ag. Business	Very limited. Most membership in engaged in trade and commerce, or manu
Number of Staff	12 permanent full-time staff.
Major Strengths	The Chamber has a wide and diffuse membership, and has developed divers The Business Directory is an excellent and useful edition.
Major Weaknesses	The Chamber is viewed to be bureaucratic and slow moving by the business

Name	Association Malienne des Exportateurs de LЈgumes et Fru
Basic Objective	AMELEF promotes NTAE by: 1) enforcing product standards for export, 2) a representing membership to government, and 4) promoting industry develop processing and bank credits.
Membership	18 members, but not all are full-time active members.
Years in Existence	Founded in 1992 with five members. In 1994 membership increased to 18.
Operating Budget	Unavailable, but very small.
Percent Self-Financing	100 % from membership dues and fees.
Annual Donor Support	None.
Percent Post-Harvest Ag. Business	100%. Membership may include growers/exporters and transporters. A pro involved in NTAE on a full-time permanent basis. Instead several transporte opportunistic basis, which is common in Mali.
Number of Staff	Two professionals, both of whom are involved full-time in other businesses.
Major Strengths	AMELEF leadership is knowledgeable and dynamic. The association under association. Linkages to the government are good. The President and Vice second-generation business people in Mali.
Major Weaknesses	There is no full-time paid staff. AMELEF is very young and the agricultural e numerous problems to be overcome with extremely limited resources. Man business, in part because horticultural exporting is one of the several busine

Name	**AssemblJe Permanente de Chambre d=Agriculture (APCAM)**
Basic Objective	APCAM is an association of small scale primary producers in agriculture, liv represent members= needs to the government and promote the economic g
Membership	Hundreds of members, 95% with holdings less than 10 hectares.
Years in Existence	Established in 1993.
Operating Budget	Unavailable. Very limited. Not all members are active dues payers. Limitec
Percent Self-Financing	100% as reported by the leadership. Some public money may help support
Annual Donor Support	None
Percent Post-Harvest Ag. Business	Very limited. While the membership is primarily engaged in agriculturally re scale. Some of the production is purchased by transporters or exporters for to measure.
Number of Staff	Elected directorate and administrative staff total approximately 10.
Major Strengths	Appears to be a strong grass-roots organization committed to representing t Evidence of the development of associations and civil society.
Major Weaknesses	Weak organization, limited resources, limited impact on the numerous and s production in Mali. Lacks clear organizational style and is unsure of what se broad-based and diffuse to be effective.

Name	**FJdJration Nationale des Employeurs du Mali (FNEM)**
Basic Objective	FNEM is an umbrella association that represents all economic sectors to the the commercial code, social benefits, and taxation. The FNEM distributes ir table meetings to inform members of changes in government policy.
Membership	19 associations from all sectors.
Years in Existence	Established in 1991, but very weak and informal predecessor organizations
Operating Budget	Unavailable
Percent Self-Financing	100%. Financing is from membership dues and charges for management tr
Annual Donor Support	None
Percent Post-Harvest Ag Business	Less than 10%. None of the association members are involved in agricultur association membership are involved in agriculture or agribusiness.
Number of Staff	12 full-time members of the directorate and administrative staff.

Major Strengths	Promotes and encourages the development of business and professional as existed prior to 1991. Has widespread recognition and appears to have an e and communicate with its membership.
Major Weaknesses	Several of the associations that form the membership are weak and poorly c capacity to work with and strengthen membership.

Name	**Chambre de Commerce et d=Industrie du Mali (CCIM)**
Basic Objective	To promote the growth of private sector business development in Mali; to pr
Membership	Most of the commercial enterprises in Mali are registered; few are active me predominate. Large importers are also well represented.
Years in Existence	Established in 1920. Membership includes foreign firms and parastatals.
Operating Budget	Unavailable.
Percent Self-Financing	A substantial portion of the budget comes from the national government.
Annual Donor Support	None
Percent Post-Harvest Ag. Business	Less than 10% The official membership list is oriented toward commercial a
Number of Staff	Unknown. But it is large and inefficient.
Major Strengths	The organization is supported by links to the old French firms still with office Commerce in France.
Major Weaknesses	The Chambre is an organ of the state and is widely regarded as such by tho associations. It has a reputation for being heavily bureaucratic, and indiffere

Name	ConfJdJration Nationale des Employeurs du SJnJgal (CNES
Basic Objective	1) Promote the interests of the private sector in Senegal. 2) Contribute to the economic and social development of the country.
Membership	There are more than 200 members; 75% are private. Members are from vari c) public works/construction, and d) services. A small number of agro-industri which represents a cross-section of Senegalese enterprises.
Years in Existence	Founded in 1993 when it separated from Conseil National du Patronat du SJn
Operating Budget	Unavailable, but estimated to be rather small.
Percent Self-Financing	Currently 100% financed from membership contributions. A small amount of \ to defray costs of various training programs for membership.
Annual Donor Support	Currently none.
Percent Post-Harvest Ag. Business	Less than 10 %
Number of Staff	Full-time Director, Deputy, and Secretary. Part-time consultants used for train
Major Strengths	CNES has a dynamic and well-educated director. CNES has become a leadir sector in economic and financial matters affecting the private sector.
Major Weaknesses	Political squabbles with the parent organization (CNP) and turf battles with the potential impact. Organization appears to be more top-down than bottom-up c members to follow.

Name	Conseil National du Patronat du SJnJgal (CNP)
Basic Objective	1) To represent the private sector to the government of Senegal. 2) To inform members of government policies affecting members.
Membership	Seventeen Asyndicats@ representing all sectors except agriculture and artisans groups of Senegalese enterprises.
Years in Existence	Since 1986 in its present form.
Operating Budget	Unavailable, but estimated to be small.
Percent Self-Financing	Currently 100% from membership dues. There is no state money or money fı
Annual Donor Support	The Fondation Allemande contributed Aa few thousand@ dollars in direct suppo
Percent Post-Harvest Ag. Business	Estimated by CNP staff to be less than 10%

Number of Staff	Director and support staff, with some part-time advisors, totals no more than s
Major Strengths	The CNP has established standing committees of members to deal with issue costs, and other related issues concerning the general economy and finance. members of changes in tax or government policy.
Major Weaknesses	The principle self-described weakness is the lack of operating funds to suppor a lobbying organization and provides little support to members. It competes fo

Name	**Union Nationale des CommerHants et Industries du SJnJgal (UI**
Basic Objective	To promote the growth and development of small and medium enter
Membership	The member organizations claim over 70,000 individual members.
Years in Existence	Founded in 1989.
Operating Budget	Unavailable.
Percent Self-Financing	100% self-financing from membership dues.
Annual Donor Support	None.
Percent Post-Harvest Ag Business	Estimated to be less than 25% but is growing, and the association is post-harvest agriculture.
Number of Staff	Central office has 15 staff and there are up to 70 regional or local of poorly funded and staffed.
Major Strengths	The strengths are considerable: 1) It is a large association with broa central office staff appear to be sincere, motivated and dedicated to membership; 3) The purpose and strategy are defined to move trade develop value-added agricultural transformation activities.
Major Weaknesses	Weaknesses are numerous as well: 1) the organization needs more uniform delivery of services to branches and members; 2) staff lack marketing, and production oriented skills to strengthen overall opera operational budget.

Name	**Syndicat Professionnel des Industries du SJnJgal (SPIDS)**
Basic Objective	1) To defend the interests of the membership to the government of Se information regarding changes in government policy affecting member
Membership	80 members. These are the largest foreign (60%) and domestic (40% members are privately owned.
Years in Existence	Since 1948, one of the oldest active associations in Senegal.
Operating Budget	Unavailable
Percent Self-Financing	100%
Annual Donor Support	No donor or public support.

Percent Post-Harvest Ag. Business	Approximately 25% of the membership can be described as having so processing, agricultural transformation, or textiles. All sectors of the e is heavy in production of basic consumer products.
Number of Staff	Two professional staff, and administrative staff.
Major Strengths	1) professional management; 2) well organized with regular meeting a oriented; 4) appears to have good government contacts.
Major Weaknesses	Association is positioned as advocate for members in defense of the p varied membership. There is weak promotion of activities and enforc

Name	**Chambre de Commerce, d:Industrie et d:Agriculture de la RJgion**
Basic Objective	1) represent the general interests of enterprises; 2) participate in the region around Dakar.
Membership	Most of the formal commercial enterprises in Senegal are registered. Registration is often a formal step to the registration of a business co
Years In Existence	Founded in 1864
Percent Self-Financing	70 % self-financed; 30% public financing.
Annual Donor Support	Receives some support from the French for administrative and mana
Percent Post Harvest Ag Business	Estimated at less than 10%. Agriculture is not a high priority of the C import/export businesses dominate. There is considerable involveme
Number of Staff	75
Major Strengths	The Chambre is centrally located in a large colonial building at the Pl Chambre sponsors several trade shows for importers and exporters a
Major Weaknesses	The Chambre is widely regarding as not having a solid grounding in t voice for the private sector other than its involvement in commerce. an office of the state in a business climate long dominated by state st having an excessively bureaucratic administration.

Appendix C

REPUBLIC OF MALI

AGRICULTURAL TRADING AND PROCESSING PROMOTION PILOT PROJECT

CREDIT AND PROJECT SUMMARY

Borrower: Republic of Mali

Implementing Agency: Agence pour la Promotion des FiliÞres Agricoles (APROFA)

Beneficiaries: The Ministry of Rural Development and Environment, agricultural trading and processing professional associations and entrepreneurs, Regional Chambers of Agriculture

Poverty Category: Not applicable

Credit Amount: SDR 3.9 million (US$6.0 million equivalent)

Terms: Standard, with 40 years maturity

Commitment Fee: 0.5 percent on undisbursed credit balances, beginning 60 days after signing, less any waiver

On-lending Terms: Proceeds of the Credit would be transferred in grant form to APROFA

Project Description: This five-year pilot project would address key sectoral constraints to private investment in agricultural processing and marketing, and would focus primarily on capacity-building and on the transfer of know-how to the private sector through information networks, training, specialized technical assistance, and study tours. The project would pursue a two pronged approach: (a) provision of generic support in three regions to all profitable agroprocessing private entrepreneurs, upstream and downstream of agricultural production, and (b) transfer of specialized expertise to enterprises operating in subsectors or product lines with a high potential for international export which require high-quality standards, such as fresh and dried fruits and vegetables, hides and skins, and shea nuts and other exotic products. Project management would be entrusted to an "Agricultural Trading and Processing Promotion Agency" a non-profit organization, to be created by the Permanent Assembly of Malian Chambers of Agriculture, who will delegate to it full authority for the implementation of this project and would ensure its full autonomy in managing it. The Government will exercise overall project supervision through the Ministry of Rural Development and Environment. The Agency will have streamlined operating structures, comprising a Coordinating unit located in Bamako, and, in full operation, three regional support units. The project will provide funding for: (i) the operation of the Agency's three regional branches in the Sikasso, Segou, and Mopti regions; (ii) support packages, including specialized technical assistance, training, studies and investment funds for three professional organizations promoting vertical integration for the fruit/vegetable, hides/skins, and oilseeds/sheanut subsectors; (iii) the Agency's operations and management, and the establishment and operation of an agricultural processing and marketing information exchange network; and (iv) activities aimed at facilitating entrepreneurs' access to investment financing and credit.

Project Implementation: During the first two years, only two regional agency branches (Sikasso and Segou, which have obvious potential for agroprocessing) and one support package to a professional organization (AMELEF, for the fruit and vegetable subsector) will be launched. A mid-term review will assess the impact and performance of the first phase and make recommendations to improve project design and implementation. It will also address the question of whether to expand project support to one or more regional agency branch (Mopti) and to two more subsectoral professional organizations.

Benefits: The main project benefits would be higher growth rates in the agricultural trading and agroprocessing sector, thus contributing to greater economic diversification and increased urban and rural employment. This would be achieved by the project laying the groundwork for a strong supply response to the CFA franc devaluation through the provision of: (a) increased access opportunities to local and regional markets; (b) increased exports, especially those of high value products; and (c) improved capabilities of the Regional Chambers of Agriculture and of subsectoral professional organizations to provide demand-driven support services to private entrepreneurs. The project would also reduce the incidence of poverty and enhance women's participation in and benefits from development, as most of the project's potential beneficiaries would be small entrepreneurs, many of them women, already involved in agricultural processing.

Risks: The project's main risks are: (a) its reliance upon Chambers of Agriculture and professional organizations which are still weak and inexperienced; (b) poor management and misuse by the Agency of its autonomy in project implementation; and (c) the abandonment by Government of its present policy of support to the private sector. These risks constitute another set of reasons for the pilot format of this project. Precautions taken to minimize these risks include provisions for: (a) high selectivity in choosing organizations participating in implementation; (b) stringent management rules and procedures, especially with regard to subcontracting procedures, similar to those already used successfully in the "AGETIPE" projects in the region; and (c) strong monitoring of management performance, intensive technical supervision, and regular evaluation of beneficiaries' response.

Financing Plan:

	Local	Foreign	Total	%
	-----------------------US$ million------------------			
IDA	3.3	2.7	6.0	87
Government & Beneficiaries	0.8	0	0.8	12
CECI - Canadian NGO	0.	0.1	1.0	1
TOTAL	4.1	2.8	6.9	100

Estimated IDA Disbursement:

	IDA Fiscal Year				
	1996	1997	1998	1999	2000
Annual	1.9	0.7	*1.5*	1.0	0.9
Cumulative	1.9	2.6	4.1	5.1	6.0

Source: This Credit and Project Summary is taken directly from the Staff Appraisal Report No. 14268-MLI of May 1995. It was prepared by the Agriculture and Environment Division of the Western Africa Department.